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NEWS SUMMARY

GENERAL

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...'s multi-racial interim ...ment said yesterday it ...ot attend an Anglo-U.S. ...conference.

...ment statement issued by ...majority Executive ...which is chaired by Mr. ...th, said: "It appears to ...led to certain failure." ...not believe that such ...rence would have any ...respect of success than ...neva conference of 1976. ...Africa said it had ...s Western plan to bring ...dence to Namibia (South-...rica) by December 31. ...Page 16

...key Club ...Banks ...three years

...ckey Club yesterday found ...Banks, 43-year-old ...and Mr. John Fran-..., former National Hunt ...jockey, guilty of "con-...kely to cause serious ...to the interests of horse-... Mr. Banks was also ...have "surreptitiously ...information about a ...

...Banks was baned from ...for three years and fined ...Mr. Francome was sus-...from riding until June 3 ...£750. The Jockey Club's ...committee found ...jockey had supplied ...information to the ...ker, at his request, about ...in training and that the ...had received favours. The ...were cleared of all other ... They are to consider ...eal.

...students gag ...ech by Joseph

...School of Economics ...ts yesterday refused to ...Sir Keith Joseph, the Con-...ive Party's policy co-ordina-...speak there after he had ...demands to sign a ...tion condemning immigra-...ntrols. Sir Keith had been ...by the LSE's Conservative ... Page 10

...pe blow to ...x birching

...an on the Isle of Man was ...ned in Strasbourg yester-...the European Court of ...Rights where, by a six-...majority the beating of a ...old boy after a conviction ...ult was held to be illegal ...the European Human ...Convention.

...s defeat

...vernment suffered a 60-...feat in the House of Lords ...when peers rejected a ...on to the Scotland Bill ...the Commons alone to ...gislation passed by the ...Assembly.

...tors warned

...ritish Medical Association ...doctors that they would ...having unethically and ...be in trouble with the ...Medical Council if they ...ated with a Department ...th plan under which de-...all British children from ...tion onwards would "go on ...gional computers "with ...inadequate control."

...e Moro calls

...ars grew amid Italy's ...tion Day celebrations, ...be murder of Sig. Aldo ...was inevitable, anonymous ...claimed that the former ...Premier was dead. Dr. ...Waldheim, U.N. Secretary-...al, appealed to the kid-...s on Italian TV last night ...re Sig. Moro. Page 3

...fly...

...is to make full compen-...for damages caused by the ...Cadiz oil disaster and ...sk for reimbursement from ...ssels owners, the French ...nment Minister said.

...controls over the opera-...of large trawlers, to protect ...velihoods of fishermen are ...sed in a report by a Hull ...Feature Page 29

BUSINESS

Gilts, equities drift; Gold $\$\frac{3}{4}$ off

● WALL STREET closed 7.53 up at 833.59 after the second heaviest trading day on record.

● EQUITY prices eased in late trading, with the FT Ordinary share index 0.3 up at 460.7.

● GILTS drifted lower in nervous trading, in response to the continued weakness of sterling. The Government Securities index closed 0.41 down at 71.47.

● STERLING lost 85 points to \$1.8150, its worst closing level against the dollar since November, 1977. Its trade-weighted average fell to 61.2 (61.5). The dollar eased a little and its depreciation widened to 4.75 per cent. (4.52).

● GOLD lost 75 cents to $\$167\frac{1}{2}$ on the London market, while in New York the Comex April settlement price was 10 cents down at \$167.40.

● U.S. TREASURY bill rates were, threes 6.394 per cent. (6.14), their highest since April 10, and sixes 6.777 per cent. (6.563), their highest since January 9.

● WEST GERMANY'S trade surplus has dropped slightly in the first quarter of 1978, while its surplus on current account shows a marked increase. Back Page

New head for NEDO

● NEW DIRECTOR-General of NEDO is to be Mr. Geoffrey Chandler, a senior executive of the Royal Dutch/Shell Group. Page 7

● CBI has warned that unless the Chancellor amends his proposed tax cuts, Government industrial strategy will fail. Back Page

● ACCOUNTANTS firm Price Waterhouse has been told by the Department of Employment that payment of "loyalty" bonuses to staff would be a breach of pay guidelines. Page 9

● BRITISH LEYLAND is to spend the first £25m. of its £250m. cash programme to double the output of its Land Rover and Range Rover models, before the project has been approved by BL Board. Page 7

Meanwhile union leaders will meet BL management to-day to see if there is room for improvement in redundancy terms offered to the Speke assembly plant workers. Page 9

● CHRYSLER U.K.'s £21.5m. loss last year—reached in a period when the company expected to break even, has been blamed on poor labour relations at Linwood.

● SUN LIFE Assurance of Canada participating policyholders have aproved the Board's controversial decision to move its head office from Montreal to Toronto.

● NCB is to spend £130m. on development of a new pit in Staffordshire, with an estimated annual production of 2m. tons, employing 1,400 men. Page 8

● LETRASET has made a £13m. agreed bid for J & L Randall, a toy company, in order to raise the equity base and borrowing ability before making a further bid. Back Page and Lex

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

(Wm.)	169	+ 11
...on Clark	181	+ 11
...el Islands Cap.	490	+ 35
(M.)	120	+ 8
...n (R.)	252	+ 8
...	107	+ 7
...rocomponents	338	+ 9
...ss Withy	231	+ 10
...ter A	158	+ 7
...	270	+ 4
...ros	188	+ 9
...ood Williams	97	+ 4½
...n (S.)	93	+ 8
...all (J. & L.)	114	+ 45
...Royce	86	+ 3

Rothschild Inv.	184	+ 9
Silentnight	92	+ 9
Tozer Kemsley	51	+ 4
BP	786	+ 16
Castlefield	245	+ 13
Guthrie	257	+ 5
Anglo United Dev.	130	+ 14
De Beers Defd.	340	+ 12
Northgate Expln.	385	+ 40
Westfield Minerals	83	+ 10

FALLS

Treasury 8½% 1980-82	£94½	− ½
Exchq. 13¼% 1996	£102¼	− ¾
Bellway	65	− 4
Letraset	146	− 14
Scottish & Univ. Inv.	118	− 3
Thomson Org.	325	− 11
Selection Trust	380	− 10

Forces promised pay parity with civilians by 1980

BY MICHAEL DONNE, DEFENCE CORRESPONDENT

The pay for all members of the Armed Forces will be raised by about 14 per cent. from April 1 this year as part of an overall plan to restore their pay to levels comparable with those in civilian life by April 1, 1980.

This decision, announced in the Commons yesterday by Mr. James Callaghan, stems from Government acceptance of the report from the Armed Forces Pay Review Body, also published yesterday.

The forces will get an immediate rise of 10 per cent. in the current "military salary," with another 3 per cent. adjustment in the "X-factor"—a special allowance that takes account of the hazards of a serviceman's life.

Another 1 per cent. will come from further rises for special duties and from the effect of a standstill in charges for accommodation, pending a study of these by the review body.

The extra pay for forces in Northern Ireland will rise by 50p to £1 a day. Food charges will rise by £1.33 a week (19p a day), from £6.51 to £7.84 a week.

The net effect of all these changes in 1978-79 is estimated to be an addition of about £200m. on the forces' overall bill for pay and allowances of about £1.5bn. a year. The rises were described by Mr. Callaghan's "quite substantial sums," that "should not be sneezed at."

Mr. Callaghan said that he had accepted the contention of the review body that pay rises of between 19 per cent. and 38 per cent., according to rank and length of service, or an average of about 32 per cent., would be needed to restore Services' pay to levels c omparable with those in civilian life.

The Government had accepted that this restoration to full comparability should be undertaken, with a target date for achievement of April 1, 1980.

This would involve two further pay rises, of approximately equal amounts, on April 1 next year and in 1980. "The Government gives a firm commitment to that effect," he said.

ARMED FORCES PAY RATES

	Current	Recommended
Brigadier	£10,209	£13,501
Colonel	£8,689	£11,300
Lt. Col.	£7,262	£9,505
Major	£5,623	£7,300
Captain	£4,641	£5,778
Lieutenant	£3,819	£4,650
2nd. Lieut.	£3,136	£3,749

All the rates are for officers on appointment: higher rates prevail for long service. Equivalent rates apply for corresponding ranks in the Navy and RAF.

The immediate effect of the Government's decision on individual Servicemen's rates of pay is still being worked out in the Ministry of Defence, but on the assumption that full comparability is restored by April 1, 1980, the pay of individual officer ranks by then should be at least as given in the accompany table.

The immediate increase would give privates between £6 and £8 extra a week now, said Mr. Callaghan, while corporals would get £8 to £10 and sergeants £9 to £11 more. "We have tried to give the forces a square deal consistent with the recovery the country is now engaged in."

The Prime Minister's statement was immediately attacked by Mrs. Margaret Thatcher, Leader of the Opposition, who claimed the Government had "failed lamentably to provide the levels of pay the Services need and deserve."

The forces, she claimed, had been let down, and the Premier's statement meant "they will continue to be let down for some time to come. We shall restore comparability and we shall restore it more quickly."

For the Liberals, Mr. Emlyn

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Occidental chief attacks North Sea oil policies

BY BRUCE ANDREWS AND RAY DAFTER

BRITISH National Oil Corporation and Government oil policies have come under renewed attack from another of their North Sea partners.

Mr. Bob MacAlister, president of Occidental International Oil—the European and African wing of the U.S.-based Occidental oil group—in a letter to all U.K. employees, says it is the "unpublicised objective of the Socialists eventually to put the rest of us out of business."

He also alleges that the State oil corporation is delaying exploration activity and hindering business deals relating to changes in offshore operating groups.

The statement follows the attack on the corporation earlier his month in an ITV programme by Mr. George Keller, vice-chairman of Standard Oil of California.

The row that followed those remarks may well be rekindled by the Occidental outburst. In an attempt to gauge the relationship between the state oil corporation and the private sector, senior officials of the Department of Energy are now conducting a series of confidential meetings with oil companies.

In his letter to staff—designed to provide a background to the television programme in which Mr. Keller made his outburst—Mr. MacAlister says: "We have developed, and try to maintain, an amicable and productive working relationship with them (BNOC)."

Indeed, it is understood that Mr. MacAlister has sent a friendly letter to Lord Kearton, the corporation's chairman and chief executive, to explain the reason for his remarks. The Department of Energy has also been informed about the internal memorandum.

The letter says that the presence of the corporation as a mandatory 51 per cent. participant in every block awarded in the recent fifth round of licences delayed the formal allocation of concessions by about one year. After the Occidental group had been awarded the block the corporation held up the start of drilling for a further three months.

"Thus, the contribution of BNOC so far has been to slow and delay exploration of British continental shelf areas," the letter continues.

It is understood that the corporation wanted to give further consideration to the geological prospect in the block in question—14/18—and to make sure that the drilling rig used for the exploration programme was British.

Coincidentally, it is learned that the Occidental/BNOC group has made what appears to be an oil discovery on the block which lies next to the Occidental consortium's Claymore Field.

Heron £40m. Paris development

BY CHRISTINE MOIR

HERON CORPORATION, the property-to-petrol-stations group, yesterday unveiled a £40m. development on a site which includes the former Figaro newspaper offices in the Champs Elysées, Paris.

The scheme is one of the biggest property schemes undertaken by a British developer in Europe, and is also the first substantial project to be started by the British there since the 1973 property crash.

The development involves Heron in two partnerships. In the first place, 50 per cent. of the freehold has been acquired by Union Assurances de Paris, the largest State-owned insurance group, whose building subsidiary SECL is also to be project manager.

The remaining 50 per cent. is split on a 30:20 basis between Heron and Keyser Ullmann.

Each partner has raised its own finance, in the case of the British partners through five-year rolling loans from Credit Lyonnais.

Mr. Gerald Ronson, Heron chief executive, explained yesterday that the site had taken him nine years to piece together, steer through the stringent Paris planning regulations, and fund.

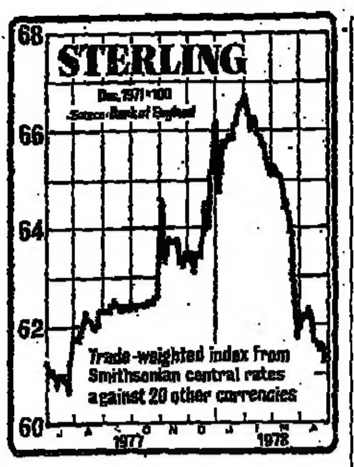
The two key elements of the site, the Figaro building and the adjacent former Intra Bank building, were acquired in 1972.

Mr. Ronson has never disclosed the purchase price, but the Figaro offices, acquired from the widow of its former owner, perfume manufacturer Francois Coty, are thought to have changed hands for about £10m.

When completed in 1980, the development will offer about 100,000 square feet of lettable offices, two restaurants and 37 high-class boutiques behind a preserved facade.

The Paris venture comes less than two months after the announcement that Heron Corporation had raised £17m. in medium-term loans.

Mr. Ronson said yesterday that this would wipe out all the short-term borrowings in the balance sheet.



Sterling falls sharply

By Peter Riddell, Economics Correspondent

Sterling fell sharply yesterday in spite of Bank of England intervention. The nervousness was reflected in domestic money markets.

The pound's trade-weighted index fell by 0.3 to 61.2, the lowest level since last July, while sterling dropped by 85 points against the dollar to \$1.8150, slightly above the day's low.

Dealers reported persistent small selling from commercial and other operators which the authorities were able only partially to offset by support.

There was no obvious reason for the decline yesterday though a feature was the fall against the main Continental currencies. This is in contrast to the last week or two when sterling's weakness mainly reflected the dollar's recovery.

Since the Budget a fortnight ago sterling has declined by more than 3¼ per cent. compared with the dollar while the trade-weighted index against a basket of other currencies including the dollar has dropped by 1¾ per cent.

This index has now declined by 8¼ per cent. since its peak in early February which has at least removed some of the earlier fears about the erosion of Britain's competitive position.

The authorities want to avoid a further rapid depreciation as demonstrated by their recent intervention, but there is no great nervousness as yet, since the selling has not been massive so far.

Nevertheless, the official support during April has been much the largest since 1976.

The weakness of sterling was reflected domestically in a rise in money market interest rates on fears of an early rise in Minimum Lending Rate.

£ in New York

—	April 25	Previous
Spot	\$1.8130-8140	\$1.8204-8214
1 month	0.53-0.47 dis.	0.38-0.33 dis.
3 months	1.02-0.96 dis.	0.88-0.82 dis.
12 months	3.10-2.86 dis.	2.65-2.45 dis.

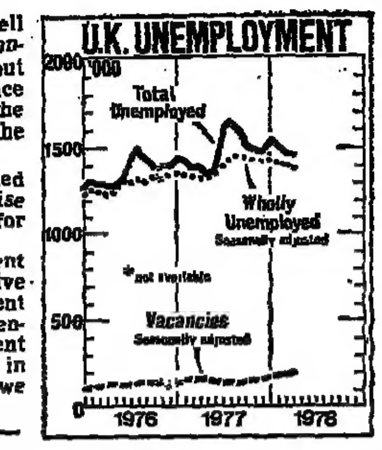
Jobless total falls again: vacancies rise

BY DAVID FREUD

ADULT UNEMPLOYMENT fell last month for the seventh consecutive time. The number out of work is now the lowest since last June, although it is still the highest for any April since the war.

At the same time, notified vacancies have continued to rise and are at the highest level for 3½ years.

Mr. Albert Booth, Employment Secretary, said the successive monthly falls in unemployment since October were "a heartening trend for any Employment Secretary but especially so in view of the dire predictions we read so frequently."



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According to Department of Employment the number of adults out of work in the U.K. fell by 12,900 in the month to mid-April to 1.39m., seasonally adjusted. The proportion of the workforce unemployed fell from 5.9 per cent. to 5.8 per cent.

Since last September the number out of work has fallen by 47,000, an average decline of 6,700 a month. Although the figures are relatively small, the fall to mid-April was encouraging because it was the largest in the seven-month period.

Another encouraging indicator is the rise in notified vacancies—estimated at a third of actual vacancies in the country. These rose 7,800, to 203,600, seasonally adjusted, the highest total since November 1974, when 271,000 vacancies were notified. Since last September the number of vacancies has increased by 46,900.

Official reaction remains cautious, however. The figures are in apparent contradiction to the sluggish trend of industrial output, and for this reason there is reluctance to to take the improvement as evidence of a turning point.

Some of the improvement in last month's figures can be attributed to the effect of the various job-creation measures. The number of people given employment by these measures rose 20,000 in the period to 260,000, it is estimated.

However, this effect is partly counterbalanced by the Easter school-leavers, at least 20,000 of whom are estimated to have joined the register.

Officials are encouraged by signs of a quickening in the speed with which people join and leave the register

However, Whitehall will want to see the May and June figures before confirming that the unemployment trend has definitely turned.

The unadjusted unemployment total in the U.K., including school-leavers, fell by 9,208 to 1.45m. in the month to mid-April. The total for Great Britain fell 11,496 to 1.39m.

Healey meets TUC

BY CHRISTIAN TYLER, LABOUR EDITOR

THE GOVERNMENT last night opened its attempt to secure tacit co-operation from the unions in moderating their pay demands in the next round of bargaining.

TUC leaders met Mr. Denis Healey, the Chancellor, and other Ministers for dinner in Downing Street for the first formal discussions on the economy since the Budget.

Considerable efforts had been made to keep the meeting a secret. Ministers are worried that too public a discussion would frighten some union leaders away because of the strong tide of feeling among shop stewards and militants against any kind of accord.

Although the TUC has set its face against a Phase Four of the incomes policy as such, and will not sign its name to an earnings target, the Government hopes that a policy similar to the present one, but more flexibly exercised, will be broadly accepted.

It is believed to be particularly anxious that the TUC should lend its continuing support to the principle that pay deals should be 12 months apart.

As at the start of the Phase Three 10 per cent. policy, they badly need to dissuade unions from reopening pay agreements when Phase Three expires on July 31.

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FEATURES

For latest Share Index 'phone 01-246 8026

BIS president warns on currency disorder

BY CHARLES BATCHELOR

AMSTERDAM, April 25.

THIS YEAR could be "crucial" for solving the problems of the disorder of world currency markets, Dr. Jelle Zijlstra, President of the Dutch Central Bank, and also of the Bank for International Settlements, warned to-day. Unstable currencies inevitably encourage latent protectionist tendencies, he said in the Bank's annual report.

He urged the U.S. authorities to finance part of their current account balance of payments deficit by issuing medium-term loans denominated in the currencies of the other industrialised countries.

Putting this form of external financing into practice would not be simple, but the difficulties could be overcome in consultation with the potential creditor countries, he said.

Good progress has been made towards solving the problems thrown up by the sharp increase in oil prices, but a new balance of payments pattern now appears to be emerging, according to Dr. Zijlstra.

This is more complex than the relatively simple structure existing before 1974, when the developed countries financed the less-developed countries with their surpluses.

Now the industrialised countries, defined by Dr. Zijlstra as the Group of 10 and Switzerland, are split into two groups. The U.S. is now running a large deficit, while the remaining countries have a substantial surplus — estimated at $14bn. in 1978.

The industrialised countries are still in a position to finance the deficits of the traditional deficit countries, provided enough holders of dollars can be found. The sharp fall of the dollar against the Deutschemark, the Swiss franc, the guilders and the Yen shows that this is no longer the case.

Central banks have become holders of dollars reluctantly taking over from the usual private holders, in order to maintain the dollar's value against other currencies. This new disturbing factor is without doubt a break on the development of the world economy, Dr. Zijlstra said.

Mistrust of the dollar and the fall in its value have created a vicious circle which has pushed it lower in recent months. The volume of dollars is so large that the currencies which act as an alternative for investors are not sufficient to restore the balance of the market.

Further the appreciation of those alternative currencies threatens to be so strong as to slow down the growth of the corresponding countries. These cannot then expand without unacceptable risks of an increase in inflation.

The U.S. authorities could cut oil imports and reduce their payments deficit but this would take time. A slowing-down of economic growth in the U.S. is in no-ones' interest according to Dr. Zijlstra. The U.S. is now belatedly taking steps to solve its problems, although a co-ordinated programme would have been more effective.

It has increased its intervention on the foreign exchanges and committed its reserves in the form of gold, Special drawing Rights and ordinary drawing rights. As a final measure it could float foreign currency loans, Dr. Zijlstra said.

Hopes for a further decline in inflation to a rate of 4-4½ per cent., and the stabilisation of money supply growth around seven per cent. are two favourable aspects of the Dutch economy in 1978.

However prospects for the profitability of industry and levels of employment are not so positive. After an unexpectedly high rate of increase last year, investment growth is again expected to fall back.

Despite this, if Holland could re-establish an improvement in company profitability it would be going in the right direction. To achieve this, the share of taxes and social security premiums in the national income must be held steady, Dr. Zijlstra said.

Orlov appeals for charges to be dropped

By Our Own Correspondent

MOSCOW, April 25.

DR. YURI ORLOV, the imprisoned Soviet dissident, and his lawyer, have appealed to Soviet authorities to dismiss the charges of anti-Soviet agitation against him, according to Dr. Andrei Sakharov, a winner of the Nobel peace prize.

Dr. Sakharov said that Dr. Orlov's lawyer, Mr. Y. Shalman, took the unusual step of appealing himself because he believed there was a lack of evidence. Dr. Orlov, leader of the "Helsinki" human rights group, has been held incommunicado since his arrest 14 months ago at Moscow's Lefortovo KGB investigative prison.

Mr. Shalman yesterday finished reading the prosecution case to Dr. Orlov, according to Dr. Sakharov. This may mean that a trial is imminent. Mr. Yelena Reshnikova, the lawyer for another Helsinki group member, Mr. Alexander Ginzburg, was to complete reading the prosecution case to him on Saturday, Dr. Sakharov said.

Spain to build major Canaries naval base

BY ROBERT GRAHAM

MADRID, April 25.

SPAIN IS to go ahead with the construction of a major new naval base in the Canary Islands later this year, according to Sr. Adolfo Suarez, the Prime Minister, who is currently visiting the islands.

Sr. Suarez said that the base, to be built on Greater Canary Island, would be able to accommodate the entire Spanish fleet if necessary, and would cost somewhere in the region of $180m.

The base, he said, had nothing to do with Western defence policy, pointing out that the Canaries were anyway outside the defence zone of Nato.

Since the beginning of this year the Government has focussed increased attention on the defence of the Canaries, where the bulk of the Spanish foreign legion are already garrisoned.

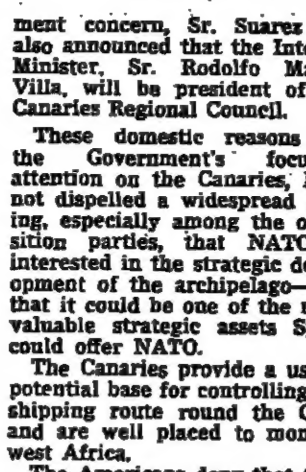
This is seen as a logical follow up to the Spanish withdrawal from the Sahara in 1975, and apprehension over the fate of the former colony.

The present Spanish Government has refused to support the Algerian-backed Polisario's fight for an independent State in the former Spanish Sahara, and instead has sided with Morocco and Mauretania.

There is concern over the implications a potential Polisario victory might have on moves within the Canaries for independence.

The Canaries independence movement, MPAIAC, has in recent months increased the number of terrorist attacks in the archipelago, especially against targets connected with tourism, one of the main sources of income for the islands' generally depressed economy.

The Government has also shown itself extremely sensitive to efforts by MPAIAC, orchestrated from Algiers, to have the Organisation of African Unity declare the Canaries to be African and accept MPAIAC as an African Liberation Movement.



This has prompted two diplomatic missions to friendly African states within the last month.

The Suarez visit itself appears primarily designed to make the Canaries feel that the Government cares about their interests. As a further symbol of Government concern, Sr. Suarez has also announced that the Interior Minister, Sr. Rodolfo Martin Villa, will be president of the Canaries Regional Council.

These domestic reasons for the Government's focusing attention on the Canaries, have not dispelled a widespread feeling, especially among the opposition parties, that NATO is interested in the strategic development of the archipelago—and that it could be one of the most valuable strategic assets Spain could offer NATO.

The Canaries provide a useful potential base for controlling the shipping route round the Cape and are well placed to monitor west Africa.

The Americans deny that they have any major strategic military installations there at present, although some radar monitoring and reconnaissance is believed to take place. The Polisario meanwhile claims that the Canaries are currently being used by French military aircraft en route to Dakar.

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BELGIAN STEEL INDUSTRY

Painful prescription

BY DAVID BUCHAN IN BRUSSELS

IS THE TINDEMANS Government trying to buy up parts of the Belgian steel industry on the cheap? It could be one result of the scheme which Mr. Willy Claes, Socialist Economic Affairs Minister, is trying to get the companies, their financial backers and unions to accept, prior to a "round table" steel conference in mid-May. The idea is that the state might accept shares in payment of interest on nearly Belgian Frs. 30bn. (£490m.) which it has on loan to the industry—and, it should be added, that big private shareholders might do the same. Much would turn on the valuation of the shares, but they are presently quoted on the stock market at "basement bargain" prices.

The aim, however, of the non-doctrinaire Mr. Claes seems to be no more Machiavellian than to remove some of the oppressive burden of debt servicing from the sick Belgian steel sector, without greatly adding to the state budget. Belgium has a virtually non-existent public sector in industry, and the moderate Conservative-Socialist coalition government seems to want to keep it that way.

At stake is the future of the Belgian steel industry, together with Luxembourg it is the world's ninth largest producer, the second largest exporter, and, at 1.6 tonnes of steel for every inhabitant of the two countries, is the biggest per capita producer. But since 1975 it has lost an average B.Frs.11m. a year, its indebtedness has doubled, and it has shed some 9,000 jobs in the last 18 months.

The Government's starting point is a confidential report. For over a year McKinsey, the U.S. management consultants, have been labouring on the future of the Belgian steel sector and, at the request of the Luxembourg Government, on that of the Grand Duchy, too. Their basic conclusion is gloomy: that European steel exports will never again reach past levels, because of non-European competition, and that the EEC may now, like the U.K. in the early 1960s, be approaching a position where it is no longer a net steel exporter.

From this there follows a series of even gloomier implications for Belgium and Luxembourg. First, the narrowness of their tiny market, which means that more than 80 per cent. of production has to be exported, makes it highly vulnerable as other European steelmakers turn their marketing effort inwards. The EEC guideline prices—introduced last year to help lift internal prices off the floor—makes less difference to the Belgians and Luxembourgers since they depend more on exports outside the European Community than others.

Second, Belgians and Luxembourgers have to pay a "prime de penetration," in other words, sell 3-7 per cent. below other European producers to get into other EEC markets. On top of that, the Belgian steel industry and, to a less extent, that of Luxembourg has about the highest wages, electricity and coal costs in the EEC. Productivity (212 tonnes per worker in 1976) is good, but not good enough to compensate.

To this must be added a product mix that is not attractive—roughly 40 per cent. in so-called "long" products which are low in added value, easily imitable by any emergent Third World steel mill, and in surplus at present. Belgo-Luxembourg steel is vulnerable in a depression because much of its production goes to the capital equipment and building sectors. But it is generally weak in higher value flat products (used in the car industry, for instance) and specialised steels. Technically, McKinsey rates its plants as comparable with that of W. Germany, France or the U.K., but with too many old-fashioned blast furnaces, not as good as Japan, Holland or even Italy.

This is McKinsey's diagnosis of the financial haemorrhage that has led to an increase in long- and medium-term debt to B.Frs.75bn., whose servicing now takes an average 6.5 per cent. of total turnover. This is a level reached only by state-owned companies like British Steel and Italsider, or state-subsidised concerns like the French companies Usinor and Sacilor. Of total financing, debt as compared to shareholders' equity has risen from 46 per cent in 1974 to 69 per cent. last year.

CRUDE STEEL PRODUCTION PER CAPITA 1976	tonnes
Belgium and Luxembourg	1.670
Czechoslovakia	1.000
Japan	0.960
West Germany	0.680
Soviet Union	0.570
Canada	0.570
United States	0.550
United Kingdom	0.390

Source: Iron and Steel Institute

The U.S. consultants suggest the short-term cures are basically two-fold. First, while noting the efforts the steel companies have made recently to shed personnel, close old plant and tighten internal cost controls, it urges more drastic action. A further 7-9,000 workers should go within the next three years, and some 2.9m. tonnes of crude steel capacity (11 per cent. of total Belgo-Luxembourg capacity) and 3.5m. tonnes of hot rolling plant (16 per cent. of capacity) should also go in the same period.

Secondly, any new investment should be designed to save on manpower rather than to increase absolute production. Investment should be made with a close eye on the market. The lay-offs and closures suggested would raise capacity use to 70-80 per cent., depending of course on whether demand rises at all in the next three years.

Government, employers and unions seem broadly to agree on the McKinsey report. They all recognise that painful lay-offs and closures need to be made. But the employers feel that some of the "writing off" of their plant as obsolete is too arbitrary and does not take management factors into account, and that the "American standards" McKinsey uses to measures profitability are too high.

McKinsey wisely leaves financial solutions to the politicians. The scheme that Mr. Claes favours has yet to receive the approval of his Cabinet colleagues. But it has been clear for some time that any Belgian Government, of whatever political colour, would not produce any more cash for steel without securing some control on its use.

In any case, only the most indebted companies might want to do a "shares for debt relief" deal with the State; Cockerill (the biggest steel company), and M[illegible] Monceau and Hainault (both in the same grou[illegible] main shareholders in [illegible] Societe Generale de B[illegible] Cobepa (controlled by [illegible] and Group Bruxelles [illegible] which dominate Belgian [illegible]

Mr. Claes is now trying [illegible] suade the holding comp[illegible] do the same as the St[illegible] increase their steel portf[illegible] the basis that if they are [illegible] about growing State p[illegible] tion, they can at least [illegible] themselves by matching [illegible]

The holding compani[illegible] keeping their cards close [illegible] chests, at least until th[illegible] steel conference. But th[illegible] proposal seems to have w[illegible] support from manageme[illegible] unions. The socialist union federation publicly [illegible] an immediate partial nati[illegible] tion of steel but privatel[illegible] it would go along wi[illegible] Claes proposal, provided [illegible] is adequate public control [illegible] restructuring of the in[illegible] The more conservative federation is more intere[illegible] public money being [illegible] developing new jobs for [illegible] dant workers.

Finance, then, will [illegible] major issue of the May [illegible] meetings. The other is [illegible] turing the industry by co[illegible] tion agreements, and [illegible] mergers, perhaps going [illegible] Belgium. McKinsey stress[illegible] Belgian companies shoul[illegible] outside partners, with othe[illegible] companies, dealers or steel [illegible] to overcome the handic[illegible] their tiny home market. [illegible] beginning to happen [illegible] with Arbed, the Luxen[illegible] steel giant, which is not ye[illegible] to any financial talks wi[illegible] Belgian Government, but [illegible] much part of the B[illegible] restructuring.

Arbed is now the pivo[illegible] steel grouping that will [illegible] stretch from the German [illegible] through Luxembourg, t[illegible] coast of Belgium. Arbed's [illegible] steel output last year topp[illegible] tonnes. Despite thumping [illegible] (of Lux.Frs.4.5bn. in 1977) [illegible] still a rich company fro[illegible] years before 1975 with a [illegible] debt ratio. In the past [illegible] months it has acquired [illegible] total control of Saar Steel, [illegible] relief of the Bonn gover[illegible] and a controlling intere[illegible] Luxembourg's only other [illegible] company, MMRA. In addit[illegible] controlling Sidmar, one o[illegible] few successful Belgian stee[illegible] panies, it is now negotiatin[illegible] the Charleroi companies [illegible] and Hainault-Sambre chief[illegible] rationalise production. O[illegible] this complex deal is like [illegible] come a specialisation agre[illegible] affecting four steel [illegible] Luxembourg, Charler[illegible] Saar, and the Flemish [illegible] works of Sidmar.

This leaves two other [illegible] steel regions: a number [illegible] called "independents," [illegible] Clabecq, and Fabrique [illegible] in Southern Belgium [illegible] Cockerill on its own fo[illegible] moment. But Cockerill is [illegible] looking abroad for partners [illegible] the names of the Dutch-Ge[illegible] combine Estel and of Klo[illegible] have been rumoured, be[illegible] they would technically co[illegible] ment the Liege-based com[illegible]

Production and invest[illegible] agrements, certainly of the [illegible] that Arbed and the Cha[illegible] companies are talking about [illegible] be cartels by a prettier n[illegible] But the EEC Commission, [illegible] least its Industry Commiss[illegible] Viscount Etienne Davi[illegible] appear to feel that the be[illegible] here outweigh legal ni[illegible]

Industrial production rises 5.5% in USSR

By David Satter

MOSCOW, April 25.

SOVIET INDUSTRIAL production rose 5.5 per cent. during the first quarter of 1978, an improvement over the modest 4.5 per cent growth target set in the plan but still below the pace of last year when industrial output rose 5.7 per cent.

According to figures released to-day by the Soviet Central Statistical Board, more than three quarters of the growth in industrial output was attributable to a 4.1 per cent. rise in the productivity of labour.

The Soviet news agency Tass said that all Soviet ministries and republics fulfilled their quarterly plan targets and said "particularly rapid development" was achieved in the chemical and petrochemical industry and the engineering and metal processing industry.

Figures for Soviet energy production show that oil, gas and coal production continue to expand but at slower rates than in 1977. Oil production (including gas condensate) came to 138m. tonnes during the first quarter of 1978, a 4 per cent. increase over the first quarter of 1977.

This rate of increase fell short, however, of the 5 per cent. in oil production for the whole of 1977 compared to 1976 which was itself the lowest annual percentage increase since 1970 and could indicate that Soviet oil production will reach a peak in the 1980's as was predicted in a published C.I.A. study.

Soviet gas production in the first quarter totalled 93bn. cubic metres, a 7 per cent. increase over the first quarter of 1977 but, once again, below the 1977 rate of increase over 1976. Coal production totalled 185m. tonnes, a 0.3 per cent. increase over the first quarter of 1977, but well short of the 1977 rate of increase over 1976 which was 2 per cent.

Public service costs expected to be increased in France

BY DAVID WHITE PARIS, April 25.

A BATCH of price increases for French public services is expected to be decided on by the Cabinet to-morrow at its first regular meeting since the announcement of a new economic programme by M. Raymond Barre, the Prime Minister, a week ago.

The increases, which will affect rail fares, power and postage rates from next week onwards, form part of the government's declared strategy of allowing more economically realistic price levels in both state and private sectors.

Postage rates are expected to go up in May by as much as 20 per cent. The increase in rail fares at the state-supported SNCF is thought likely to be about 15 per cent. for passenger traffic and 12 per cent. for freight, following a rise of 6 per cent. which came into force in February. The standard Paris metro fare is also due for a rise in order to help cover the network's £300m.-odd deficit.

Increases of 11 and 9 per cent. respectively are anticipated at the state-owned electricity and gas Boards, EDF and GDF. Telephone charges, on the other hand, are expected to be kept down.

The expected increases are in most cases below those which the public service bodies have been pressing for. The EDF electricity Board recently put in a claim for a 15 per cent. rise this year and a similar one next year, in order to stop its already large financing gap from getting out of hand.

A further increase later in the year is not ruled out. As matters stand, the Government can expect little relief from the increases in terms of the overall budget burden imposed by public sector subsidies. These are expected to amount to Frs.30bn. this year.

At the same time, anticipation of the price increases has alterted the Big French trade union federations, whose leaders have been sounded out by the Government since the March elections, to the possibility of an upturn in inflationary trends.

Marchais faces criticism

BY ROBERT MAUTHNER PARIS, April 25.

THE LEADERSHIP of the French Communist Party, including M. Georges Marchais, the Secretary-General, is expected to come under intense pressure at a two-day meeting of the Party's Central Committee to-morrow.

The meeting, at which the party's policy in the run-up to last month's general election and its future strategy will be hotly debated, is likely to be one of the most vital in its recent history. Not since the invasion of Czechoslovakia in 1968 has the French Communist Party been in such a turmoil and have the decisions by its Political Bureau (Politburo) been questioned so critically or openly.

Unable to express their views in the Party's daily newspaper "L'Humanite," leading Communist intellectuals have turned to other newspapers and magazines with no connections with the party to voice their frustration and anger.

The attempts by M. Georges Marchais and other party leaders to dismiss the criticisms as the opinions of only a few misguided intellectuals, with no working class support, are hardly convincing. Each day brings a new spate of complaints in the Press.

Last week's articles in the influential Paris newspaper Le Monde by M. Jean Elleinstein, the Deputy Director of the Centre for Marxist Studies and a leading exponent of the Eurocommunist line, attacked the leadership for its refusal to allow the free expression of opinions in the party and for its failure to put the more liberal line adopted by the party's last Congress into practice.

But it is not only the "liberal" Communists who are attacking the Party's policies and methods. In a current series of articles in Le Monde, another leading intellectual militant, M. Louis Althusser, who represents the Party's orthodox wing, has turned his guns on M. Marchais and his colleagues.

Portugal requests aid during EEC talks

By Guy de Jonquieres

BRUSSELS, April 25.

PORTUGAL would like the EEC to start giving it economic and development assistance soon after it opens formal negotiations to join the Community, Sr. S. A. Machado, its recently appointed Foreign Minister, said to-day.

In return, the Portuguese Government was prepared to consider reshaping its industrialisation plans to meet EEC demands and to accept that restriction on the free movement of its workers to the rest of the Community would remain in force for some time after Portugal became a member.

Before the eventual membership treaty was signed, Portugal should make preparations, in co-operation with the EEC, to facilitate its integration into the Community. These, Sr. Machado said, should be aimed more at bringing about a transfer of resources than a transfer of people.

Sr. Machado was in Brussels for talks with Mr. Roy Jenkins and other members of the European Commission, which is due to publish shortly its formal opinion on Portugal's application to join the EEC. It will then be up to foreign ministers to decide, on the basis of the report, whether to open membership negotiations with Lisbon.

The Portuguese Minister said his country would need a fairly long post-entry transition period to adjust to membership, but was confident that it could accomplish the necessary changes within the ten-year period recommended by the Commission in its recent study of the problems posed by the applications of Greece, Portugal and Spain.

He said that he agreed with the study's general conclusions, which includes a suggestion that the applicant countries should begin cutting back on national aids to industry and investment in sensitive sectors, like steel, textiles and shipyards, before they joined the EEC.

The Commission recommended that in exchange, the EEC should aid the applicants' economic development and exempt them from future trade restriction against third countries.

ANDREOTTI'S REJECTION OF THE RED BRIGADES DEMANDS

Parties forced to take firm stand together

BY DOMINICK J. COYLE ROME, April 25.

TO-DAY, LIBERATION Day, the 33rd anniversary of the fall of Fascism, Italy's political parties are finally taking a firm stand together. This situation has come about not so much because the Red Brigades kidnapped Sig. Aldo Moro, the former prime minister but because the price demanded for his freedom has been seen as too fundamental a challenge to the already eroded authority of the Italian State.

Late last night the minority Christian Democrat Government of Sig. Giulio Andreotti gave a firm "no" to the terrorists' demand for the immediate release of 13 prisoners. Most of them were proponents of proletarian revolution; but some were no more than common criminals involved in kidnappings and armed raids for financial gain — although the apologists among them claim the money was necessary to support the revolution.

Sig. Andreotti dispensed even with the formality of consulting the other political parties, including the Communists, on whose parliamentary support his administration depends, before the brief and clearcut rejection was issued. Their views had already been made public: releasing prisoners was neither "legally practical nor morally possible."

Even the Socialists had abandoned their earlier stance that "every avenue should be explored to save Sig. Moro's life," and were now for no surrender.

The ever-warring Christian Democrat factions now also seem finaly to have closed ranks, despite the personal anguish which many of their leaders, perhaps most of all, Sig. Benigno Zaccagnini, the party's reformist secretary-general—must feel for the fate of the party's president.

Having earlier played their hand brilliantly—the psychological warfare, the false trails to the frozen lakes near Rieti in search of a non-existent body, the successful production of a division within the Christian Democrats into hawks and doves—the Red Brigades have pushed their price too high, leaving no room for compromise.

Humanitarian appeals from Pope Paul and the UN Secretary-General were crudely brushed aside as being no more than "concrete political and propagandist support" for the Christian Democrats. The intervention of Caritas, the charitable relief agency, as a potential mediator—a step inspired by the Christian Democrats to avoid the party or Government being seen to deal directly—is now dismissed as an attempt by the party to "unload its responsibility."

Thirteen photographs featured last night in the main TV news bulletins and in most newspapers this morning, with captions chronicling the prisoners' criminal records finally convinced the waverers that the price asked for Sig. Moro's life was too high. To concede it would be to weaken drastically the very authority of the State.

No one is anxious to say so publicly, but ministers know well that the Government's refusal of the Red Brigades' demand is likely to have sealed the fate of Sig. Moro. For the terrorists to climb down now would be for them a real defeat.

Their options had been enormous. They could have demanded almost any cash ransom, whether directly from th Government or the Christia Democrats, or from Sig. Moro "close friends," an unidentifie group which has managed convey the impression that the were available for negotiations

They could have demanded massive food distribution pr gramme for the poor in d pressed southern regions, unde lining their professed concer for social deprivation, and the would have won it, thereb seriously embarrassing th Government.

But above all, the Brigade want "political recognition"— be accepted by the existin establishment as a politic force. They want the Stat against whose very core the claim to have struck deliberate with the kidnapping of Sig. Mor to capitulate. It was in the en too high a price to pay.

Common Market expands aid to non-Lome nations

BY MARGARET VAN HATTEM LUXEMBOURG, April 25.

THE EEC Council of Ministers to-day decided to expand its annual aid programme to developing nations to include countries not associated with the Community.

Grants have been made until now on a regular basis only to countries included in the Lome Convention. Other grants—to Latin American and Asian countries for example—have been made case by case.

To-day's agreement came with the acceptance of a draft regulation long urged by Britain which follows more than four years of debate, essentially a post-colonial struggle between France and the U.K. Many former French colonies are covered by Lome, while the major former British colonies, such as India, Pakistan, Sri Lanka and Bangladesh, are not.

Mrs. Judith Hart, U.K. Minister for Overseas Development, said afterwards that the agreement was an important step forward but that further major struggles lay ahead.

The amount of money allocated to non-associated countries is not impressive—70m. European Units of Account in this year's budget.

The Council to-day approved the sub-division of this year's allocation as follows: 47.5m. EUA to Asia (principally India), 13.5m. EUA to Latin America, 3m. EUA to African countries not included in Lome (mainly Mozambique). 5m. EUA to be held in reserve and 1m. EUA for administration.

Criteria for allocation of funds, which will be assessed on a project basis, provide that priority should go to the poorest countries and to the most needy sectors of the population, with special emphasis on rural development and food programmes, and that an EEC presence should be established in the major regions of the developing world.

Bid to improve standard of auditing

By David Buchan

BRUSSELS, April 25.

THE EEC Commission has sent the Council of Ministers a draft directive to ensure that auditors in all member states are independent and properly qualified. The directive, which EEC officials hope might gain Council approval next year, aims to "provide shareholders, employees and third parties, such as creditors, with guarantees as to the audits carried out."

Officials say the directive, which complements previous ones in the company law field, will not change the situation in the U.K. and France, and will probably affect West Germany little.

In Italy there are no qualifications legally laid down for auditors carrying out the statutory annual check on company accounts, although the Milan bourse has now set some standards for the auditing of those companies it quotes.

Eanes calls for austerity and an end to bickering

BY JIMMY BURNS LISBON, April 25.

GENERAL EANES, the Portuguese President, said to-day that celebrations marking the fourth anniversary of the downfall of nearly half a century of dictatorship should not be allowed to hide the country's deep economic problems.

"On this day, which should be one of happiness and confidence, words should not be used to hide or ignore the gravity of the situation," the President told Parliament in a speech televised to the nation this afternoon.

His grim speech accorded perfectly with the drizzle dampening the crowd outside. President Eanes urged Portugal to set aside political bickering and adopt a cold, realistic attitude that would accept a period of austerity.

He listed the removal of the army from politics, the lifting of censorship, workers' rights, greater social justice, and an end to international isolationism, as the main achievements of t past four years.

The President also underlin the rights of the private sect to contribute in an active w towards the solution of the pr sent economic crisis.

A pluralist democracy impli that there should be an adequa balance between the public a private sectors, and that t latter should be guaranteed t necessary conditions which a indispensable so that its capa ties of innovation and inve ment can be fully realised the national interest," he said.

The President's speech w preceded this morning by message to all military units which he urged them to res attempts by politicians to u them for political ends.

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AMERICAN NEWS

Laying to rest a redundant nuclear reactor

By William Scobie in Los Angeles

WHILE ANGUISHED debate over the future of nuclear power drags on in the Californian legislature, during an election year, with energy the hottest of issues, workers in the bare Santa Susana mountains near Los Angeles are engaged in a unique piece of nuclear demolition. They are slicing up one of the earlier nuclear reactors and taking it, ton by ton, to a burial ground in the Nevada desert.

The operation, now drawing to a close, has taken more than a year and cost taxpayers some $6m. The original reactor, called the Sodium Reactor Experiment (SRE), took two years and $12m. to build in the 1950s. After seven years of research it was "decommissioned" and remained shut down until demolition began last year.

Officials of the Nuclear Regulatory Commission (NRC), the U.S. Government's licencing authority in Washington, see the work at Santa Susana as something of a test case. No long-term plan exists for the disposal of worked-out reactors. But the U.S. probably has several dozen experimental or prototype reactors no longer in use, while the earliest of the big power reactors will be near the end of their life by the end of the century.

It is the hope of NRC officials that the painstaking demolition of the radio-active reactor containment and "internals" at Santa Susana will help demonstrate to the politicians that defunct reactors can be disposed of safely and satisfactorily. Until now such reactors have been either simply fenced off and placed under guard, or sealed in concrete and sometimes buried under a man-made knoll.

The idea of hundreds of radio-active "graves" has alarmed many people, especially in earthquake-prone California. But the spent nuclear fuel, the most highly radioactive part of a reactor, is always removed before it is decommissioned. The internal steelwork especially remains radio-active for many years after that.

Congressman Leo Ryan, a Californian Democrat, calls the prospect "totally unacceptable, politically." Rep. Ryan, who chairs the House Environment and Energy Sub-committee, has just completed a 104-page study of the whole field of nuclear energy—a report unlikely to please the nuclear industry. It cites what it calls the "major problem" of disposing of the 3,000 tons of spent nuclear fuel already stored at commercial reactor sites in the U.S.: a tonnage expected to rise to 20,000 during the next decade. Although it is government policy to store and not reprocess this fuel, "no demonstrated technology exists for disposal of these wastes," the report says, "and the costs of so doing are still unknown."

Other new studies indicate that radioactive isotopes formerly believed to decay in a few hundred years will in fact remain dangerous for much longer.

Other politicians have begun to attack the NRC for not yet deciding what to do with old reactors. Hence the keen interest in the Santa Susana project, for which the Federal Government is paying. First, a full-scale facsimile of the reactor was constructed near by, on which they could practice. Bit by bit it was sliced into small pieces using remotely controlled machines. Then work began on the reactor itself, a silo-shaped structure 30 feet high, buried beneath the ground.

The reactor is surrounded by walls of steel and concrete—the biological containment—8 feet thick. The reactor vessel has been filled with water to help shield the demolition team from its radioactivity as they manipulate their remote-controlled flamecutters at the end of a long steel arm. All workers wear protective clothing. Even so, they leave the working area as a crane lifts the 4 feet square pieces of steel from the water and transfers them to a storage pond, in readiness for shipment. When the job is finished and the crane and all other machinery used will also be chopped up and buried, along with some 350 tons of radio-active refuse, at an isolated Nevada desert site. The 18,000 gallons of water used as shielding will be evaporated and the residue buried as well.

Atomics International, the nuclear engineering company which has the demolition contract, claims that its progress in recent months shows that reactors can be demolished safely.

Governor Jerry Brown of California is steadily hardening his opposition to nuclear energy. In 1976 he warmly approved a law prohibiting construction of more nuclear plants until a federally-recognised system of waste disposal for their spent fuel had been worked out. In Nevada and New Mexico, states chosen to provide the nuclear burial grounds, protest is growing. A bill introduced into Congress by New Mexico's Senator Pete Domenici this month would give all states a power to veto the disposal of nuclear waste on their territory. "We must be assured that these materials will never endanger human health and the environment," he says.

Such an assurance is obviously difficult to give—as it would be for any other technology. But since California passed its law insisting on "proven" waste technology, eight states have approved similar measures, while a further eight have such bills in progress.

Fed sticks to monetary targets

BY DAVID BELL

WASHINGTON, April 25

MR. WILLIAM MILLER, the chairman of the U.S. Federal Reserve Board, confirmed to-day that the Fed has moved within the past few days to "keep monetary growth within reasonable bounds over the long run."

As a result, he said in testimony before the Senate Banking Committee, "the money market . . . has tightened a bit over the past few days." But the Fed was not proposing to change its monetary growth range targets for the year ending with the first quarter of 1979 and they would remain the same as those for the year ending with the fourth quarter of this year.

In a sombre review of the state of the U.S. economy, Mr. Miller said that, while the immediate prospects for economic activity remained "favourable," the economy was still confronting serious problems, of which "inflation is undoubtedly the most troubling.

The chairman said that "cost pressure remains strong" and noted that wages in the private sector rose last year by almost 9 per cent., compared with an increase in productivity of only 2.5 per cent. The 1978 first-quarter productivity figures, announced to-day, which show a 3.5 per cent. drop, serve only to underline Mr. Miller's contention to-day that "there is little likelihood of a sustained pick-up in productivity growth . . . (and) rising unit labour costs can be expected to continue to exert considerable upward pressure on prices.

Mr. Miller welcomed the President's recent anti-inflation speech, and also the recent firming of the dollar in foreign exchange markets. He said that the Fed would "play its part in supporting the President's initiative by exercising appropriate restraint in the provision of bank reserves, credit and money."

But the Fed could not act alone, and it was important that the brakes be not applied too hard, even if "heightened inflationary expectations" were now beginning to play their own part in pushing up prices and long-term bond and other interest rates. "The pace of deceleration (of the money supply) cannot proceed much more rapidly than the pace at which built-in inflationary pressures are wrung out of the economy, if satisfactory economic growth is to be maintained," he said.

The chairman said that "credit generally remains in ample supply," and there was no sign that borrowers were having difficulty in raising funds at current interest rate levels, even if they were higher than those of a year ago. Indeed, these rates, he added, "are at relatively modest levels after allowance is made for the effects of inflation."

The Fed does not expect this picture to change materially over the next 12 months and has thus specified a target for the three money supply measurements, as follows—M-1, the narrow measure follows % M-1, the narrow measurement which includes only currency and demand deposits, is to grow between 4 and 6.5 per cent.; M-2, which is M-1 plus time and almost all savings deposits at commercial banks, is to rise between 6.5 to 9 per cent.; M-3, which also includes savings deposits at savings banks and building societies, to increase by between 7.5 10 per cent.

Reviewing the behaviour of the money supply in the past months, Mr. Miller noted that the last few months of 1977 so far this year, there has been a marked moderation of monetary growth, and that this brought M-1 back within ranges set by the Federal Open Market Committee which oversees money supply policy, and M-3 are now near the lower limits of the ranges, he said.

Finally, Mr. Miller underlined the uncertainties inherent in forecasting the monetary growth rates. Much depended on the velocity of money and the behaviour of M-2 and M-3 would be affected by the ability of institutions to attract funds under the existing regulatory ceilings on deposit rates.

U.S.-SOVIET ARMS LIMITATIONS

USSR 'will not make neutron bomb'

BY DAVID SATTER

MOSCOW, April 25

MR. LEONID BREZHNEV, the Soviet President, to-day described President Carter's decision to defer neutron bomb production as a "half-measure," but said that it has been "taken into account" and that the Soviet Union will not produce neutron weapons as long as the United States refrains from doing so.

Speaking at the 18th Congress of the Soviet Komsomol, the Communist Youth Organisation, Mr. Brezhnev also expressed confidence that "by reciprocal efforts" based on "compromise" it will be possible for the U.S. and the Soviet Union to reach a new strategic arms limitation (SALT) agreement.

Mr. Brezhnev said that the Soviet Union, along with "other peaceful forces" is taking active steps to promote a ban on neutron weapons production by either the U.S. or the USSR, but now that U.S. neutron bomb production has been deferred, the Soviet Union would also defer production of the weapon. He said that further developments would depend on Washington.

It appeared from Mr. Brezhnev's remarks that the ban on production of the neutron bomb—a weapon that the Soviet Union does not possess—will be the only Soviet response to the U.S. decision to defer production. The neutron bomb was envisaged as a counter to overwhelming Soviet tank superiority in Central Europe, and the U.S. had hoped for Soviet acceptance of qualitative limits on Warsaw Pact armaments in response to President Carter's decision.

On the situation in the SALT round, Mr. Brezhnev said that some progress was achieved during the visit of Mr. Cyrus Vance, the U.S. Secretary of State, but cautioned that: "We can by no means accept certain positions of the American side." He said, however, that it should now be possible to "complete the drawing of an agreement that will justly take into account the security interests of both powers."

In all, Mr. Brezhnev's review of the East-West disarmament situation struck a distinctly optimistic note. He said that there had been definite progress in the test ban negotiations with the U.S. and Britain in Geneva and said that the Soviet side hoped that a treaty would be signed in the near future.

Mr. Brezhnev said that the Western powers have submitted "slightly refurbished proposals" in the force reduction talks (MBFR) in Vienna which take into account the position of socialist states in some respects.

Mr. Brezhnev said that the Soviet Union will do everything it can to facilitate agreement on troop reductions and said that the Soviet Union has not been enlarging its forces in Central Europe and does not intend to increase them "by a single soldier, by a single tank."

Mr. Brezhnev concluded his speech by calling for a halt to the quantitative or qualitative growth of armaments or armies of states with large military potentials and by advocating a programme to halt the manufacture of nuclear weapons and stop the development of highly destructive conventional arms.

Vance edges without comment towards SALT accord

BY OUR OWN CORRESPONDENT

WASHINGTON, April 25.

MR. CYRUS VANCE, the U.S. Secretary of State, last night continued his attempt to keep secret all but the barest details of his latest round of strategic arms limitation talks (SALT) with the Soviet Union.

Talking to reporters after his return from Europe, he acknowledged that some obstacles remain, but would not speculate on what they were, nor on when they might be resolved. He confirmed that his unwillingness to talk was part of an effort throughout the Administration to reduce the number of leaks and background briefings in order to enhance the credibility of the Administration.

Last year Mr. Vance's talks in Moscow were accompanied by daily news conferences in the Soviet capital and a torrent of comment from Administration officials in Washington. This time, Mr. Vance said, "I am convinced that the way we are handling it is preferable."

The continuing official reluctance to comment on the talks has not ended speculation, but it is noticeably less authoritative than in times past when the "high official" to whom remarks were ascribed was often the Secretary himself.

Reports this morning suggest that the two sides may have made some progress on a joint declaration that neither will try to circumvent either the proposed treaty (which would run until 1985) or the protocol which would accompany it (which would last three years). Such a form of words apparently satisfies the U.S. insistence that Washington should be able to share some Cruise missile technology with its NATO allies. But it is not clear as to whether it satisfies them, or whether the agreement is final.

It does appear, however, that there was no agreement on at least two other major obstacles—the Soviet Backfire bomber and the modernisation of missile systems. On the Backfire, the U.S. may, according to these reports, be prepared to leave it out of the treaty in return for a Soviet declaration that it will only be in limited production and would be built without the in-flight refuelling capacity which would give it the range to strike at the U.S. There could also be restrictions on its deployment inside the USSR.

The missile modernisation issue is also difficult. The U.S. wants to begin installation of its new Trident, submarine-launched missiles, and is prepared to allow the Soviet Union a similar undersea missile. But the U.S. is understood to be still opposing Soviet proposals for a new, single-warhead, land-based missile.

In justifying his new-found penchant for secrecy, Mr. Vance noted that the Kremlin considers public comment while the negotiations are in progress to be an attempt to steal a "propaganda march." He also said that it was time to stop the "swing from euphoria to gloom" after each round of talks, which was doing more harm than good. He did not add that some of the euphoria had been encouraged by President Carter, who said more than six months ago that a new agreement was "just around the corner."

F-16 fighter output 'should be shelved'

WASHINGTON, April 25.

THE General Accounting Office (GAO) said it recommended the Pentagon hold up making a full production commitment on the General Dynamics Corp F-16 fighter pending a complete review of the programme.

It said in a report it recommended a complete programme review before making any commitment for F-16 purchases beyond the present commitment to buy 650 aircraft.

The rate of loss for the single-engined F-16 is currently estimated to be three times higher than called for by air force specifications because of continued problems with the United Technologies Corp F-100 engine.

The GAO report said concurrent production of the F-16 while development and testing are in progress has created an element of risk which has been accepted in part because of the political and economic climate of the programme.

The consortium of four European countries, Belgium, Holland, Denmark and Norway, joined the programme three years ago, on the grounds that the F-16 could best fill their urgent fighter aircraft needs.

The air force late last year more than doubled its planned purchase of the fighter to 1,388 aircraft at an estimated cost of $13.8bn. However, it only has a commitment to build 650 planes for the U.S. Air Force as part of the joint programme with the European consortium.

Reuter

Canada construction cuts

BY VICTOR MACKIE

OTTAWA, April 25

CONSTRUCTION projects worth $5bn. had been postponed by the end of 1977 in Canada and another $1.1bn. of orders were cancelled outright, Mr Donald Baldwin, president of the Royal Architectural Institute of Canada said to-day.

The findings of the Institute were based on a survey of 656 Canadian architectural firms, representing about 60 per cent. of the country's architects. Construction projects worth $8.98bn. are under way including $9.98bn. of commercial projects, $2.25bn of institutional business, and $2.09bn of housing projects.

The low volume of manufacturing construction was reflected in expenditure of only $327.84m on industrial projects. Mr. Baldwin blamed the situation on the current economic recession, the postponement of Government projects and uncertainty over Quebec's future.

The Institute's figures mirror the most recent survey of public and private investment intentions issued by the federal government statistics branch. That agency known as Statistics Canada, reported five weeks ago that total capital investment this year would be 5.4 per cent. ahead of last year for a total of $48.98bn.

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Leading oil companies maintain steady advance; disposal boosts Textron; Bethlehem Steel back in the black—Page 35

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Israel might forego F16s if U.S. planes go to Arabs

BY L. DANIEL

TEL AVIV, April 25.

MR. MOSHE DAYAN, Israel's Foreign Minister, hinted here to-day that Israel would rather forego F15 and F16 aircraft from the U.S. than obtain them, as President Carter is to propose officially to Congress later this week, under a deal linked to aircraft sales to Saudi Arabia and Egypt.

Mr. Dayan, who was leaving for Washington, where he is to have talks with U.S. leaders, said: "If Washington wants to punish us for this opposition (to the arms sales package) we shall have to take the punishment but we shall not change our mind."

Mr. Carter proposes selling some 15 F15s and 75 F16s to Israel, 60 F15s to Saudi Arabia and 50 F5s to Egypt. Israel objects to the deal on the grounds that Saudi Arabia would obtain modern aircraft which could be stationed only a few minutes flying time from the south of the country. It also fears that the deal will set a precedent for future arms sales and claims that the U.S. undertook to maintain the military balance in the region when Israel signed its second disengagement agreement with Egypt in 1975.

During his talks in Washington Mr. Dayan is seeking clarification of how an Arab-Israel peace agreement would work out in terms of territorial changes and defence requirements, rather than on the documentary interpretations of Security Council Resolution 242 or the establishment of a set of principles to serve as the basis of a peace agreement.

"The main problem now is what Egypt will suggest as a basis for an arrangement, and not as a basis for a working paper," Mr. Dayan said. He declared that he would do everything possible to reach an understanding and agreement with the U.S. Administration and with Egypt concerning a future peace treaty.

But he also made clear that he has not changed his views regarding the West Bank, claiming that the Israeli plan, envisaging self-rule there and in Gaza, with Israel retaining control of security and public order represented a suitable interpretation of Resolution 242. He did not rule out changes in the plan, but such changes had to be "suitable interpretations of 242."

Mr. Dayan said he believed that the U.S. regarded the Israeli plan, perhaps subject to modifications and operating only for an interim period as a possible basis for a settlement with regards to the West Bank and Gaza Strip.

He made clear that he was not taking any basically new ideas or proposals to Washington but only a readiness to discuss changes in the plan which might be proposed by Egypt. Cairo has not replied formally to the Israeli plan, though it is clearly totally opposed to it.

Meanwhile the Peace Now movement formed by a group of reserve officers in protest against Mr. Begin's refusal to alter his hard line on the West Bank, has won support from an unexpected quarter. A group including prominent rabbis, as well as practising Jewish professors, is to send an open letter to Mr. Begin urging him not to let the peace process break down because of religious fanaticism.

This is the first time that prominent personalities identifying with the religious parties have come out against the policy of the Likud alignment and its two religious coalition partners, which oppose the return of the West Bank to Jordan because they regard it as an integral part of the Holy Land.

The group castigates "irresponsible elements" for trying to frustrate the peace process—a reference to the religious fanatics of Gush Emunim — and urges the Prime Minister to persist in the search for peace with all vigour. It adds that it sees no contradiction between religious belief and the possibility of a fair settlement involving territorial compromise in the West Bank if it brings about peace between Israel and its Arab neighbours.

Cubans press for Eritrea talks

By Hugh O'Shaughnessy

CUBA IS understood to be pressing hard for negotiations between the Ethiopians and the Eritreans on a solution to the question of Eritrea's future, as Colonel Mengistu Haile Mariam, the Ethiopian Head of State, continues his visit to Havana which started last Friday.

Statements from Havana about the course of the talks between Col. Mengistu and President Fidel Castro hint that there may be differences between the two on how to deal with the Eritrean insurgency.

The Cuban view is that the Left-wing movements in Eritrea, whose cause the Cubans assisted during the rule of Haile Selassie, are unlikely to survive unless they throw in their lot with the Addis Ababa Government.

Cuba has refrained from committing Cuban forces in great numbers against the Eritreans.

The indications from Addis Ababa are that the Ethiopian government, while offering to talk to the Eritreans, is eager to press on with the fighting.

Unconfirmed reports from Addis Ababa speak of the presence at the moment of an Eritrean delegation in Havana. If this is the case and Eritrean-Ethiopian talks begin, the Castro government would probably welcome the chance of mediating on the issue.

128 detainee deaths in S. Africa

BY QUENTIN PEEL

JOHANNESBURG, April 25.

A TOTAL of 128 non-political detainees died in South African police custody last year, compared with 117 the previous year, Mr. James Kruger, the Minister of Police, announced yesterday.

Of those who died, 28 committed suicide, 30 died from natural causes, 15 died from wounds inflicted during their arrest and six were killed in attempts to escape, Mr. Kruger said. A further 10 died from assaults by fellow prisoners, and 10 from wounds sustained before arrest.

The figures compare with at least 22 deaths of detainees held under security legislation between March, 1976 and November, 1977, including Mr. Steve Biko, the black consciousness leader. Several of the political detainees were said to have committed suicide, either by hanging themselves in their cells or jumping from the windows of police stations.

Because security law detainees are not allowed to communicate with their lawyers, doctors or their families, there have been repeated calls for greater precautions to ensure correct treatment.

Mr. Kruger gave the latest figures in response to a written parliamentary question from Mrs. Helen Suzman, the justice spokesman for the Progressive Federal Party. They suggest that a considerably higher proportion of security law detainees have died in detention than ordinary detainees.

Mr. Kruger had earlier produced a document allegedly issued by the banned South African Communist Party urging political detainees to commit suicide to embarrass the authorities.

He promised that tighter precautions would be introduced, including regular visits by retired lawyers or judges. He also said that questioning of political detainees should be carried out in ground-floor rooms so that they could commit suicide by jumping out of windows.

In another answer, Mr. Kruger said that 250 policemen were convicted of assault, culpable homicide and murder offences last year, compared with 201 convicted in 1976. He said that four police officers charged with culpable homicide relating to the deaths of detainees had been acquitted. In two inquests no finding had been returned and in seven inquest results were pending.

No early agreement in Tehran oil talks

BY ANDREW WHITLEY

TEHRAN, April 25.

HOPES OF rapid agreement in talks here on a new long-term relationship between Iran and the BP-led Western oil consortium are fading. Contrary to inspired leaks of a few weeks ago most observers now expect the talks to go on well into the summer.

It seems likely that the present, second round of negotiations will end in the next week or so, to allow both sides a breathing space to examine progress made and to prepare their positions on outstanding issues. Informed sources believe the leader of the consortium team, BP's managing director, Mr. John Sutcliffe, has not yet set a date for his departure.

Mr. Sutcliffe has been in Tehran for a fortnight this time, with a visit to London last Thursday for a BP board meeting. Full negotiating sessions have been held most days, and sometimes twice a day. From time to time the two sides have broken up into technical sub-committees to examine specific issues.

There are few clues to the main subject of the discussions. One oilman commented that they were the most secretive negotiations he had known. It seems the talks have reached a middle stage where no breakthrough looks imminent, but no major stumbling blocks appear to be holding up progress.

Both sides seem determined to achieve a good, lasting agreement, taking into account the probable sharp variations in the world oil market and Iran's supply capability over the next decade. Chastened by the experience of the 1973 Sales Purchase Agreement, which was intended to last 20 years but started falling apart within a year and was a dead letter within three, the negotiators are moving slowly and cautiously.

Japanese private railmen end strike

By Charles Smith

TOKYO, April 25.

JAPAN'S PRIVATE railway workers, who went on strike to-day concurrently with the national railway unions, returned to work within hours after accepting an offer of a 5.53 per cent. wage increase plus a small rise in bonus payments.

The private railway settlement may provide the basis for arbitration of the national rail workers' claims. This could begin to-night, paving the way for a settlement later in the week (perhaps before the end of the planned four-day strike). The two national railway unions rejected a 5.4 per cent. wage offer on the eve of the strike and also refused to agree to arbitration.

The end of the private railway strike means that underground services in Tokyo and Osaka as well as many feeder lines to commuter districts outside the main cities will operate normally again. Main line services (such as the Shinkansen high-speed line between Tokyo and Osaka) remain suspended, as do some surface lines in Tokyo which are operated by Japan National Railways.

Reuter adds: Fifty-three scheduled international and domestic flights by Japan Air Lines were cancelled after cabin crews staged a lightning strike, the airline said.

Arab Monetary Fund to borrow on markets

BY JAMES BUXTON

THE Arab Monetary Fund, which is to play a role in the Arab world similar to that of the International Monetary Fund, is to supplement its resources by borrowing both on Arab financial markets and on the international market, Dr. Jawad Hashim, its president, said in Abu Dhabi yesterday.

Addressing the AMF's second annual meeting, he said that the Fund would give priority to exploring the possibility of borrowing on Arab financial markets. But it also wanted to develop "an impeccable reputation" by "prudent financial management" in the international sphere.

The AMF has an authorised capital of 250m. Arab Dinars. One Arab Dinar is equivalent to three Special Drawing Rights, so that the Fund's authorised capital is about $900m. Twenty-seven per cent. of the authorised capital has been paid up by the AMF's 21 members (which include the Palestine Liberation Organisation).

Dr. Hashim said that the immediate goal of the Fund was to correct disequilibria in balance of payments, and the AMF is now concentrating on working out lending procedures and criteria for countries with balance of payments deficits. At Dr. Hashim did not say when the Fund would be making its first loan, though it has not been expected to do so before the second half of this year.

CHINA'S MEDICAL SERVICE

Acupuncture and X-rays

BY K. K. SHARMA, RECENTLY IN PEKING

"THE barefoot doctor has now got grass sandals," said a cynical diplomat in Peking. In the Chinese capital foreigners lead a frustrated secluded life and are prone to great scepticism about China; diplomats are no exception. The fact is that the barefoot doctor has not got grass sandals but real boots. He goes without any footwear only when literally wading through flooded paddy fields to treat patients in remote communes, but much of his time is spent in clinics in "brigades" (several of which run a commune) where his headquarters are.

The barefoot or part-time doctor is now a thriving part of China's health service and its unique contribution to better health in rural areas which many Third World countries could usefully copy. First heard of in the early 1950s the barefoot doctor originally was intended to bring at least some medical care to far-flung rural areas where farmers would otherwise do without any treatment. Carrying a small bag of basic medicines to treat simple illnesses the barefoot doctor fanned out into the many hundreds of thousand villages. His knowledge was rudimentary. Nevertheless the results were impressive and the response to the barefoot doctors so good that the system was institutionalised.

China's "barefoot doctors" have only rudimentary knowledge of medicine, yet their treatment seems to work.

There are now at least four barefoot doctors in every brigade. One holds a clinic every day at brigade headquarters while at least one more makes the rounds of the fields visiting patients. There are several remarkable features about the barefoot doctors. None is fully qualified. They have usually been given only one year's training before being allowed to "practise" although all later attend refresher courses and in rare cases even specialised training. Medicine is their part time work. Time for practising must be found outside the hours of normal work assigned to them. However they do get some additional "work points" on the basis of which payment is made to members of communes. And finally they often perform fairly advanced medical functions including surgical operations in the Chinese style.

This is an operation worth watching or it might otherwise seem untrue. The operation is acupuncture, a highly effective remedy said often to work in cases where modern Western medicine has failed. In one commune I visited a woman patient hobbled painfully into the clinic of the barefoot doctor with a sprained back that made any movement agony. The doctor watched the swollen part for a while then swiftly jabbed into the woman's back two vicious-looking needles, removing them after a few minutes. This was followed by "cupping" which meant igniting something in a kind of tumbler and applying the flame to the skin. The entire operation lasted less than ten minutes, and lo, the woman was actually grinning from ear to ear, fully relieved. She touched her toes to prove this. Had I not witnessed this myself and had it not happened by mere chance that I was present at the time, I should not have believed it possible.

Acupuncture is a peculiar science and does not involve sticking needles in the affected part. A toothache can be treated for instance by jabbing finger tips, the same way being used for anaesthetic purposes. Said to be more effective in treatment of aches and pains — I saw patients with needles sticking out from various part of the anatomy to help against rheumatism and even paralysis — Chinese doctors claim they can do an acupuncture for any illness, even the common cold. It is widely accepted and many Chinese told me they had benefited by what they said was a painless form of treatment.

Traditional systems of medicine are widely used along with the modern variety and all hospitals have not only facilities for acupuncture but also for dispensing medicines made from herbs, plants and even stags' horns (said to be a widely used tonic). Modern Western medicine seems to be the general rule in hospitals however. Even the commune hospitals, where standards of hygiene are good by Third World standards although they vary a great deal, are equipped with a surgical theatre, X-ray sections, dental chairs and eye treatment rooms apart from four-bed wards numbering from five to ten depending on the size of the commune. Each patient has at least two yards of space between him and the next bed and treatment seems to be effectively administered.

The county hospital is better equipped and considerably larger and can cope with more complicated cases, rarely sending patients to specialised hospitals in the towns. Two that I visited could perform heart operations but would not risk brain surgery. Patients waited in small queues on benches for doctors. There was no overcrowding and wards had more space than that allowed in the commune hospitals.

Health care is not entirely free although most factory and commune workers are covered by schemes operated by their parent organisations to which they contribute a nominal amount.

Bell Canada accused of Arab boycott compliance

BY VICTOR MACKIE

OTTAWA, April 25.

A RECENT $1.1bn. agreement between Bell Canada and Saudi Arabia will be examined to see whether it discriminates against Jews, the Prime Minister, Mr. Pierre Trudeau, has told Parliament.

He informed Liberal MP Hert Gray that he had asked his officials to look into the matter last week and hopes to provide answers soon. Mr. Gray claimed the contract includes a statement by Bell Canada that neither it nor any of its subsidiaries has commercial dealings with Israel.

Mr. Gray said that if this was a condition of the deal, it would mean Bell Canada was complying with the Arab boycott of Israel. He also claimed that the Canadian Government was implicated by providing both financial and administrative support of Bell Canada.

The Canada Export Development Corporation, a Crown corporation announced last week that it would insure up to 90 per cent. of Bell's risk in the deal, which involves a contract by Bell Canada's subsidiary, Bell Canada International, to provide some 500 experts to train Saudi Arabians in the operation of a modern telephone system.

In a letter last week to Mr. Gordon Fairweather, Commissioner of the Canadian Human Rights Commission, Mr. Gray noted that recruiting for the work in Saudi Arabia was under way in Canada.

In his letter he drew attention to a statement by the Bell Canada president, Mr. James Thackray, who said that Bell had signed "a statement of fact that we are not at this time involved in any direct business relationships with Israel."

Asked whether he did not feel uncomfortable signing such a requirement, Mr. Thackray replied: "No, and it does not restrict us in any way with whom we do business here or anywhere else."

John Lloyd writes: Ericsson of Sweden and Philips of Holland, which are the two other major companies involved in the contract, said yesterday that they, too, had assured the Saudis that they had no dealings with Israel.

A spokesman for Philips said that the company had never dealt with Israel. Asked if the contract—worth over $500m. to the company—would constrain any future links with Israel, the spokesman said that it might possibly do so.

Ericsson also said that the company had never had links with Israel. Because of its long-standing policy of dealing with the Arab world, it had been careful to avoid business dealings with Israelis. Ericsson's share of the contract is also worth more than $500m.

Britain was warned yesterday by Mr. A. K. al-Mudaris, secretary-general of the Arab-British Chamber of Commerce, that her business interests would be harmed if she adopted anti-boycott laws like those in the United States, Maurice Samuelson writes. Mr. al-Mudaris, giving evidence to a House of Lords select committee studying the Foreign Boycotts Bill, noted that U.K. visible exports to Arab countries in 1977 totalled £2.7bn. and said Arab states could turn to other trading partners.

West's protectionism is 'crippling' less developed countries

BY DAVID HOUSEGO

VIENNA, April 25.

Governments of the Asian and Pacific region expressed their concern here to-day over the "crippling" effects on their economies of the allegedly protectionist policies of the West.

In a strongly-worded speech to the annual meeting of the Asian Development Bank, Mr. Yong Hwan Kim, Minister of Finance for South Korea, said that the protectionist measures, which in many cases discriminated against the developing world's manufactured exports, were "a poor reward for those countries who have demonstrated a self-disciplined determination to stand on their own feet."

As well as having a crippling effect on developing countries in terms of the impact on their balance of payments, accumulating external debts and disrupted development plans, Mr. Yong claimed that such policies also worked to the detriment of industrialised nations. They could be no more than a stop-gap solution to their unemployment problems, he said.

He argued that the slowdown in the economies of the industrialised nations had hit the Asian region both through protectionism and through stagnating or declining commodity prices. The effect on export earnings had, in turn, curtailed Asia's ability to import from the West.

Mr. Robert Muldoon, the New Zealand Prime Minister, said that his country's serious balance-of-payments problems made it impossible for New Zealand to contribute to the $2bn. capital replenishment of the ADB's concessionary lending institution, the Asian Development Fund.

New Airbus version likely

BY ADRIAN DICKS

HANOVER, April 25.

AIRBUS INDUSTRIE, the consortium of companies building the European A-300 airbus, hopes to win sufficient indications of interest for the scaled-down B-10 version of the aircraft to justify a firm decision to launch the project by July 1.

M. Bernard Lathiere, the Airbus Industrie chairman, confirmed that "very extensive" discussions on the B-10 have been held with United Airlines, one of the largest U.S. domestic carriers.

This fact alone, said Mr. Dan Krook, the sales director, meant that Airbus Industrie had reached at least the same point as Boeing in its discussions of United's requirements.

Mr. Krook said that orders for 25 to 30 B-10s would justify European governments in putting development funds into the B-10 project. He stressed that the builders are looking more for positive responses from a few large airlines which might place orders, rather than a larger number of orders from smaller carriers.

The Airbus company does not, however, put all its faith in the U.S. market, in spite of indications from Eastern Airlines that it might add B-10s to its existing order for the currently-operating Airbus types.

What Airbus Industrie hopes for is a firm order within the next two months from major airlines in Europe or Japan.

M. Lathiere also said that Airbus Industrie expects further orders for at least 12 more of the B-2 and B-4 airbus versions from four different airlines before July 1, plus about the same number of options.

Mr. Krook declined to identify the airlines, beyond saying that one was in Europe, one in Australasia, one in the Middle East, and one in the Far East.

In addition, as a result of the Eastern sale, two further orders are expected from U.S. airlines. The first is likely to be from the California carrier, Pacific South West, followed by the East Coast airline, Allegheny, though it is still waiting for official approval of a proposed route from Pittsburgh to the West Coast, on which the Airbus would be used.

Airbus Industrie executives now regard themselves as the main challenger on world markets to Boeing. M. Lathiere, however, rejected charges made by Boeing that Airbus Industrie had infringed the U.S. Fair Trading Acts and that it had indulged in "predatory" financing in the Eastern deal.

"The truth is that when someone loses a deal, he will alw[ays] find reasons to say it was [un]fair," he said.

The Airbus Industrie chairm[an] reiterated the consortium's sta[nd]ing invitation to Britain to join it, in order to particip[ate] both in the B-10 project and [in] the two proposed aircraft bei[ng] studied under the Joint Europe[an] Transport (JET) project.

What Airbus hopes is that t[he] present company will form t[he] basis of all three projects a[nd] be able to strengthen the mark[et]ing of all of them by offeri[ng] customer airlines varying co[m]binations to suit their needs.

Privately, many Europe[an] aerospace executives here a[re] making little secret of the fa[ct] that while they still hope Brita[in] will rejoin the Airbus pr[o]gramme, they cannot see ho[w] Rolls-Royce can easily ada[pt] itself to take a share in the wor[k].

In another development he[re] to-day, Mr. Jerry Weinstein, senior vice-president of Boein[g], said he hoped a final decisi[on] would be taken by NAT[O] Defence Ministers on May 18-[19] to complete funding for th[e] acquisition of the AWACS ai[r]borne electronic command an[d] surveillance system.

Mr. Weinstein said Boein[g] could now be confident that th[e] total cost of the system woul[d] work out at $1.8 to $1.9bn.

West Germany, he said, woul[d] contribute about $900m. bu[t] should eventually get about th[e] same amount back from the pr[o]gramme of industrial co-opera[tion] and from spending i[n] connection with the propose[d] AWACS base in West German[y].

United Technologies, whose Pratt and Whitney division is a leading U.S. jet engine manufacturer, says it has recently lost two important orders to European companies because of generous Government financing support, Stewart Fleming reports from New York. They were the Pan American purchase of TriStars with Rolls-Royce engines and the Eastern Airlines purchase of Airbus A300s.

Tanker pool 'to start this year'

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

A POOLING SCHEME for large oil tankers designed to raise freight rates from their present rock-bottom levels has now attracted three-quarters of the tonnage it needs.

Mr. Niels Werring, president of the Norwegian Shipowners' Association, said in London yesterday that the scheme, known as International Tanker Services, would be in operation by late summer.

The idea, which originated among hard-pressed Scandinavian owners, is to float a company, probably based in the Netherlands, which will charter very large crude carriers over 200,000 d.w.t. trading on the spot market and only release them to the oil companies at rates to be decided.

International Tanker Services needs about 40m. d.w.t. of tankers to be effective. Scandinavian owners have committed 20m. d.w.t. and efforts by Mr. Werring and others in the Far East have attracted substantial support from owners in Japan and Hong Kong.

Although some of the Far East letters of intent contain caveats about clearing the scheme with the United States authorities on anti-trust grounds, Mr. Werring said he now believed the scheme would operate.

Car parts drive in Japan

BY TERRY DODSWORTH

BRITISH MOTOR component manufacturers will make another attempt to increase exports to Japan next month during a two-week trade mission.

The 18-man mission, the eighth organised by the Society of Motor Manufacturers and Traders in nine years, follows the month-long investigation of the British parts and accessories industry by a Japanese trade delegation last year.

Since then, U.K. motor industry sales to Japan have increased only slowly, to an estimated £30m. last year against £24.8m. in 1976. But British companies hold out hopes of a steady improvement if the sales pressure is maintained.

Only last month a three-man delegation from the SMMT met officials from the Japanese component buying offices recently established in Europe to discuss problems the Japanese might be encountering in building up their businesses in Britain.

Toyota, Nssan, Honda and Mitsubishi have all established facilities for buying in Europe within the last few months.

Among the companies visiting Japan will be Condura Fabrics, Girling, Hepworth and Grundage, the Mill Accessory Group and TI Transport Equipment.

Italy-Soviet trade up by a fifth

Italian-Soviet trade rose 20 per cent. by value in 1977 compared with the previous year, David Satter reports from Moscow. That confirms the trend of recent years, which have seen a vast expansion of Italian-Soviet exchanges of goods. Italian exports, mostly pipe, machinery and equipment, had a value of L1.1bn., 32 per cent. more than in 1976, and imports, mostly oil and gas, were worth L.1.27bn., a 12 per cent. rise.

Iraq oil, gas deal

Snamprogetti, the engineering company of the Italian ENI group, has been awarded two big contracts by SCOP, the Iraqi state organisation for oil projects, for management and engineering services in two large oil and gas projects.

Textiles imports

Certificates of origin or other forms of documentary proof will need to be produced for commercial imports from all non-EEC sources of textiles and clothing in the 123 categories covered by the textile agreements recently negotiated between the EEC and certain supplying countries, Mr. Michael Meacher, Parliamentary Under Secretary for Trade, has told the Commons.

Airline booking system

A $6m. order for a number of electronic booking and information systems has been placed by the Swedish telecommunications administration with L. M. Ericsson, John Walker writes from Stockholm. The system has been developed by Ericsson's Australian subsidiary where the system has already been installed and most of the equipment for Sweden will be manufactured in Australia. The new system will shortly be introduced in Hong Kong and Saudi Arabia also.

Brazil data contract

Pactel, the computer and telecommunications division of PA International, has won a £320,000 contract with Embratel, the Brazilian telecommunications authority, to study the country's future data communication needs, John Lloyd writes.

Foreign stake down

Foreign investment in Brazil's productive industries is declining gradually, from 29.1 per cent. in 1976 to 15.8 per cent. in 1977, Diana Smith reports from Rio de Janeiro. Nevertheless, new projects or re-investment of profits by foreign concerns have brought in more than $1bn. a year in the past two years. New foreign operations in Brazil have shifted away from straightforward manufacturing into expert assistance, technology and marketing.

Investment in Israel

The inflow of foreign investment to Israel, which had dropped sharply for two consecutive years, began to recover last year, increasing by $15m. to $120m., L. Daniel writes from Tel Aviv. The increase came almost entirely from U.S. and South African investors, mainly in small plants producing for export.

HK deficit widens

Hong Kong's March trade deficit widened to $HK1 035bn. from $HK842m. a year earlier. The Census and Statistics Department said exports totalled $HK2.86bn. (fob) in March, up 22.9 per cent. from a year earlier. Re-exports were $HK987m., up 29.3 per cent. Imports were $HK4.882bn., (cif), up 24.2 per cent. from March, 1977. AP-DJ reports from Hong Kong.

Foreign currency scheme to cover supplier credits

BY MARGARET HUGHES

BRITAIN'S EXPORT Credits Guarantee Department (ECGD) has confirmed that it intends to extend its foreign currency scheme to cover supplier credits with a maturity of two years or more.

ECGD has already discussed its proposals with the clearing banks and will be talking to exporters over the next week or two. It will then submit its proposal formally to the relevant banking committees with the aim of introducing the facility in June.

The main aim of extending the scheme to supplier credits is to assist those exporters who have traditionally financed large export contracts—of £20m. or more—on a supplier credit basis.

Most of this business is financed on a buyer credit basis but some sectors of industry, such as ship and aircraft manufacturers, tend to finance such deals on a supplier-credit-basis.

So too, do a few companies in other industries, Marconi being one example, while some countries, such as China, will only accept deals which ar[e] financed in this way. Under th[e] supplier credit scheme the expor[t] credit (loan) is extended to th[e] exporter rather than the buyer.

Since the Government decision over a year ago to switch export finance for large capital goods contracts into foreign currency these exporters have had to undertake financing on a buyer credit basis. This is because all contracts of £20m. or more now have to be financed in foreign currency while this is also the "preferred" method of financing for deals over £5m.

Extension of the scheme will thus allow those exporters who prefer to finance their exports through the supplier credit scheme to do so while still complying with the Government's foreign currency directive.

The aim of the switch to foreign currency is to save public spending by reducing the refinancing element of export credits and more significantly to bring an immediate benefit to the U.K. balance of payments.

Swiss watch growth slower

BY JOHN WICKS

ZURICH, April 25.

EXPORTS BY the Swiss watch industry rose by 7 per cent. in the first quarter of this year, compared with the corresponding 1977 period, to a value of Sw.Frs.733.8m.

Particularly marked growth rates were booked for electronic watches and movements (25.1 per cent.), and for anchor-watch movements (24.4 per cent.). Deliveries abroad of finished anchor watches, however, were only 0.6 per cent. higher in value than in the 1977 quarter, and those of pin-lever watches declined by 2.8 per cent. Foreign sales of pin-lever movements fell by 39.2 per cent. over the year.

The first quarter's figures point to a slowdown in export growth, especially for finished watches, due primarily to a braking effect on new orders imposed by the monetary situation.

Civil Service recruits hard to find

BY DAVID CHURCHILL

THE CIVIL SERVICE disclosed yesterday that it is facing severe difficulties in filling executive and specialist jobs.

In particular, the shortfall is acute among medical, accountancy, and computer jobs, says the annual report of the Civil Service Commission.

Although no reason is given for the lack of right quality recruits, the Society of Civil and Public Servants, which represents managerial staff, last night blamed it on the low salaries for executive civil servants when compared with the private sector.

The commission's report says that recruitment at junior levels last year "continued to be generally buoyant." The Civil Service is usually able to fill these posts without trouble during times of high unemployment in the economy.

But filling vacancies for senior and specialist staff "presented a problem which loomed larger as the year wore on."

Unfilled

The report highlighted the difficulties in filling professional posts. More than one-third of the 53 vacancies for accountants were left unfilled, at salaries ranging from about £5,000 to £7,000.

The Civil Service also failed to attract enough medical staff, at salaries ranging from about £8,000 to over £10,000. "The shortage of recruits as veterinary officers is now serious, as recruitment is exceeded by wastage."

The "most striking illustration" of the difficulty in filling some senior posts was the disappointing response to the advertisement for the vacancy for deputy chief economic adviser to the Treasury.

This £14,000-a-year job attracted only four applicants from outside Whitehall, none of whom whom was of the standard of the serving civil servant who finally got the job.

Another problem area was the inability to recruit principal grade staff for the administration group. "Of the 13 vacancies we managed to fill only eight, and only one of this year's recruits brought any experience of commerce or industry."

With an increasing wastage of executive grade officers in the computer field, vacancies for trainee programmers were more than 50 per cent. higher than last year. "During 1977, few trained computer staff responded to our advertisements offering computer posts."

The commission was also concerned at the number of candidates to he science group who subsequently rejected offers of appointment. "During 1977 this proportion increased quite markedly, to nearly 60 per cent."

More than half the recruits to the post of administration trainee came from Oxford or Cambridge last year. The number of applicants also dropped by 8 per cent.

Civil Service Commission. Annual Report, 1977; SO.

Motor HP restrictions 'should be removed'

By Terry Dodsworth, Motor Industry Correspondent

MR. JIM CAMPBELL, new president of the Motor Agents' Association, called yesterday for the removal of hire purchase restrictions on second-hand car sales.

Mr. Campbell, who is also chairman of Mann Egerton, the British Leyland distributor, argues that current HP regulations are holding back the U.K. market at present, and that a further boost is necessary if the present buoyant sales conditions are to be maintained beyond the summer.

He also believes that private buyers, who are the main customers for second-hand cars, are receiving a less favourable deal from the present tax structure in Britain, which is effectively providing cheap motoring to company car purchasers and corporate customers able to take advantage of leasing contracts.

The MAA's pressure to ease second-hand credit restrictions is not at present, being supported by the Society of Motor Manufacturers and Traders, the industry association for the car producer companies.

This appears to be mainly because of British Leyland's fears that any improvement in credit facilities would increase demand and suck in more imports.

HP restrictions currently stand at a 33⅓ per cent. deposit with a 24-month repayment period.

Underspending cut 'likely this year'

BY DAVID FREUD

THE UNDERSPENDING against Government cash limits in the past two financial years is likely to be reduced in the current year, Sir Anthony Rawlinson, Second Permanent Secretary of the Treasury, said yesterday.

He told the Commons' Public Accounts Committee that departments were growing used to the system, that the Treasury was encouraging tauter estimates and greater use would be made of the monitoring figures.

These three factors would help eliminate the shortfall, though he stressed that cash limits were not the only reason for underspending.

Mr. Edward du Cann, chairman of the committee, welcomed the Treasury's proposals for merging cash limits with the traditional Parliamentary estimates and accounts.

He said that if, as the Treasury stated, the merging would bring increased financial precision, greater Parliamentary control and less work for leading civil servants, the move would be very welcome. His "instinct" was to put the arrangements into effect immediately.

Sir Anthony said there was no simple explanation of the underspending, and the Treasury did not pretend to understand it completely. A number of factors were involved, including some overestimation and some underperformance.

Three factors would reduce the shortfall in spending in the current financial year. First, many departments were now aware of what had happened.

Second, the Treasury had encouraged taut estimating; third, the arrangements for obtaining the monitoring figures were working quite well. There was still "quite a long way to go in making use of them in finding out what they mean in terms of plans as a whole."

Sir Anthony agreed with Mr. du Cann that cash limits had helped control expenditure. There was only one qualification.

Added to the two original sets of estimates—the survey prices of the annual expenditure White Paper and the Spring estimates with their later supplementaries based largely on current prices—cash limits introduced in 1976-1977 complicated managerial control further.

Referring to the Treasury proposal of merging the Spring estimates into the cash limits, which take account of inflation through the year, he said: "I think that to reduce two of those sets of figures into one is a highly desirable managerial objective which should further strengthen the benefits which have been obtained from the introduction of cash limits."

If the proposals found favour and were approved rapidly, Sir Anthony said, a start could be made to the changeover in the next financial year. It would not be possible to complete the operation by then.

Shell executive chosen as NEDO's new chief

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

Mr. Geoffrey Chandler

A SENIOR executive of the Royal Dutch Shell Group with considerable experience in international affairs has been appointed as the new director general of the National Economic Development Office at a salary of slightly less than £19,000 a year.

He is Mr. Geoffrey Chandler, aged 55, and his main task when he takes up his new job in June will be to try to build credibility for the Government's industrial strategy and communicate its ideas for individual industries down to management and shop-floor workers.

Mr. Chandler is now public affairs co-ordinator at Shell, where he is a director of the group's main U.K. and Dutch companies. He joined Shell in 1956 after working as a journalist on The Financial Times and the BBC foreign news service. He will be taking a cut in salary on leaving Shell.

The announcement ends an eight-month hunt for someone to fill the post and both the Prime Minister and the TUC were specially keen to choose a man from an industrial background. The last two directors general—Sir Frank Figgures and Sir Ronald McIntosh—were former civil servants.

The appointment was welcomed last night by leaders of both sides of industry, including the president of the CBI, Mr. John Greenborough who, as managing director of Shell U.K., is a colleague of Mr. Chandler.

But some union leaders may be sceptical about Mr. Chandler's lack of direct U.K. industrial experience, although they will respect his knowledge of international trade affairs and of the international oil business, which will be useful at the NEDO.

Last night Mr. Chandler was loth to be drawn on how he regards the job and said that his main experience of the NED tripartite sort of operation, i volving the Government an both sides of industry, was whe he was managing director o Shell Trinidad for five year from 1964 where tripartism i Government was being d veloped.

He believed in "leading b example and running things b consent" and intended t approach the work to begin wit like a tram: "First I'll stay o fixed tracks; then I'll be mor flexible like a trolleybus; an when I have felt my way I sha act in the manner of a bus."

He said of the Nation Economic Development Coun which runs the Office: "It is place where the three cruci parts of the economy meet in manner which may not happe elsewhere.

"This does not lead me have fears about a corpora state because I believe that the are sufficient other checks an balances in society."

Mr. Chandler served durin the war in Egypt and in Germa occupied Greece. After the wa he read history at Cambridge.

During his time at Shell was president of the Institute Petroleum from 1972-74.

The hunt for a new directo general started last summe when Sir Ronald McIntosh, wh had been director general f 4½ years, told the Prime Ministe he wished to resign.

Leyland to double Land Rover output

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

LEYLAND CARS is spending the first £25m. of the £250m. programme to double output of Land Rover/Range Rover models, even before the project has been approved by the British Leyland Board.

Mr. Michael Edwardes, the chairman, has authorised the investment to prevent any delay in a venture seen as central to any Leyland recovery. The money will be committed to ensuring a rapid build-up of production.

The company is conscious of the need to move quickly to retain its 15 per cent. share of an increasingly competitive international market. Mr. Edwardes has made it clear that he will not seek approval from his Board until the work force has given a prior commitment.

The important question is whether Mr. Edwardes will take a hard line and make the go-ahead conditional on membership by the Solihull plant of the worker-participation machinery. The Transport and General Workers' Union at the Rover assembly plant has ben adamant in its refusal to join.

Mr. Edwardes will have to decide whether to compromise with such feelings and run the risk of alienating support from workers already in participation.

At present, Land Rover production is running at 1,250 a week, and Range Rover at 325.

Joint output should start to rise early next year to about 1,600 vehicles a week and reach 2,700 by 1982. A further phase of expansion should take capacity to 3,200 units.

Names of the Board responsible for the four-wheel-drive expansion programme were released by Leyland yesterday.

Mr. Mike Hodgkinson, 34, managing director of the proposed new Land Rover company, has appointed Mr. Alex Mackie, the Solihull plant director, in charge of manufacturing.

Mr. Jack Reardan, at present director of the overseas division of Leyland International, will be responsible for sales and marketing.

Product engineering goes to Mr. Tom Barton, one of the original engineers on the Land Rover project. Mr. Ron Phillips, manufacturing project director at Solihull, will oversee quality. Mr. Bill Davis, a member of the Jaguar, Rover, Triumph board, completes the team.

Mr. Tim Worrall, 32, has been appointed managing director of S U Butec.

New factories will bring jobs to Ebbw Vale

BY ROBIN REEVES, WELSH CORRESPONDENT

GOVERNMENT approval for the building of 48 advanced factories in the Blaenau-Gwent district was announced yesterday by Mr. John Morris, the Secretary of State for Wales, as part of the drive to replace jobs being lost by the ending of steel making at Ebbw Vale.

The factories, to be built by the Welsh Development Agency, at a total cost of £7m., form the main item in the Government's £12m. special aid package for the Ebbw Vale area, announced this month.

The package followed the agreement between the British Steel Corporation and the unions to end steel-making at the Ebbw Vale works, with the loss of nearly 2,000 jobs.

The factories will range from 1,500 square feet to 50,000 square feet, with particular emphasis on units of 5,000 square feet, 10,000 square feet and 50,000 square feet.

The total new factory space being built is 464,000 square feet which the agency estimates will provide sufficient space to support 800 to 900 jobs initially, rising to double that over three years.

Nearly half the new factories are to be constructed on the Rassau industrial estate, now being developed after delays arising from local opposition which led to a planning inquiry.

Sir David Davies, chairman of the agency, said yesterday that it was now able to accelerate the development of the Rassau site. About £700,000 had been spent on site clearance, and the agency had let a £2m. engineering contract to provide platforms for the new factories.

Plans to provide additional factories in Cardiff to offset the effects of the East Moors closure were well advanced and the agency hoped to make an announcement about them shortly.

Rough gems surcharge likely to be imposed

BY PAUL CHEESEWRIGHT IN ANTWERP

ROUGH GEM diamonds coming on to the international market at a London sale starting next Tuesday are likely to be subject to a surcharge of between 25 and 30 per cent. on the list price, according to Antwerp diamond merchants.

The sale is one of 10 held every year for about 300 selected clients by the De Beers Central Selling Organisation, which dominates the world marketing of rough diamonds.

The surcharge is part of a policy adopted to damp down an overheated market. At the last sale, earlier this month, the imposition was 40 per cent.

De Beers has stated that the level of the surcharge, or indeed the decision to impose it at all, depends on market conditions before each sale.

At its height, the speculation involved the payment of premiums of more than 50 per cent. above organisation prices for rough diamonds which could be held as security against currency instability.

The centre of this activity was Tel Aviv. The result was an accumulation of stocks intended originally for cutting, polishing and manufacture of jewellery.

Merchants here have noticed a trickle of rough stones coming back on to the market from Israel, but feel that this is likely to stabilise in summer with a resumption of the steady flow of diamonds from the mines.

It is widely assumed that the surcharge will be reduced to about 15 per cent. at the sale after next and that De Beers will then raise its list price to meet it.

HOME NEWS

Two BP Chemicals plants to close

BY KEVIN DONE, CHEMICALS CORRESPONDENT

BP CHEMICALS is closing two plants at its manufacturing site at Grangemouth, Scotland.

It is suffering from the continuing stagnation of demand in the West Euopean petrochemicals industry, and Mr. Len Burchell, BP Chemicals managing director, said yesterday that there was little hope of any real improvement this year.

The company is shutting its ethyl benzene and styrene plants at Grangemouth, because the styrene market throughout Europe is severely depressed. The 60,000 tonnes-a-year plant is the oldest and least efficient of BP's styrene operations.

Production of styrene, the raw material for the manufacture of the plastic polystyrene, will be continued at the company's Baglan Bay site, South Wales.

Another 75,000 tonnes-a-year styrene plant is shut at this site, because demand can already be met adequately from BP Chemicals' largest plant, a 220,000tonnes-a-year unit brough on stream in 1972.

Workers employed on the styrene operation at Grangemouth are being moved to other jobs at the site.

The styrene plant at Grangemouth was operated by Forth Chemicals, in which BP has a two-thirds stake. The other third is owned by Monsanto, the U.S. chemicals company.

Last year, BP Chemicals made a profit of only £11m., compared with £36m. in 1976. Production increased marginally to just over 3m. tonnes, while the value of sales was 10 per cent. up on 1976.

Mr. Burchell said yesterday that BP Chemicals was particularly vulnerable to the downturn in trading because of its great concentration in base petrochemicals.

"We do not have the protection of a sufficient diversity of chemical activities which will go on providing profits when other parts of our business are having a bad time."

The combination of chronic over-capacity in Europe and increasing exports from the U.S. and Comecon countries had led "to a near-collapse of prices and consequently, of profits and cash flow. Unfortunately this is not likely to be a short-term situation.

"The over-capacity problem is estimated to be with us until the mid-1980s, by which time we may have to face competition in our markets from imports of petrochemical products from OPEC countries."

BP Chemicals was considering diversification into other areas of the industry not affected by the factors which are depressing petrochemicals.

Mr. Burchell told employees that BP Chemicals must take action to reduce its particular vulnerability.

The company is trying to develop its position in speciality chemicals. It is understood that acquisitions may be considered, to broaden this base, especially in overseas markets, where BP Chemicals does not have a large manufacturing position.

"What is at stake here is the very ability of our company to expand." At present BP Chemicals has £200m.-worth of capital projects in progress.

"We cannot go on drawing cash at this rate from the BP Group, unless there is a reasonable expectation that BP Chemicals is going to start to pay its way," Mr. Burchall added.

His statement comes only days after Imperial Chemical Industries said that it would have to review its £800m. capital sanctioning programme, unless profitability showed an early improvement.

New pit will employ 1,400

BY JOHN LLOYD

THE NATIONAL Coal Board is to spend more than £130m. on the development of a new pit near Staffordshire.

The pit, to be called Park Colliery, will probably be built next to the village of Hopton.

Workable reserves in the area are more than 100m. tons, with the possibility of further reserves being proved as the pit develops.

At an estimated annual proluction rate of 2m. tons a year, the pit is expected to last for the next 50 years. It will be fully operational within the next 10 years.

Most of the coal to be produced by Park Colliery will be for power stations, with a small amount for industrial use.

The colliery will employ 1,400 men, of whom about half are expected to be new recruits to the industry. Many of the more experienced men will probably come from West Cannock colliery, in South Staffordshire.

West Cannock now employs more than 1,000 men, but its reserves are limited.

A planning application will go before Staffordshire County Council soon.

U.S. big three aircraft makers asked to talks

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE PRESIDENTS of Boeing, Lockheed and McDonnell Douglas, the three big U.S. aircraft manufacturers, have been invited to London by Mr. Eric Varley, the Industry Secretary, for private talks on the collaborative programmes they have offered the U.K.

The U.S. industry leaders—Mr. E. H. Boullioun, president of Boeing's Commercial Airplane Company, Mr. Roy Anderson, president of Lockheed, and Mr. Sanford McDonnell, president of McDonnell Douglas—will come separately over the next few weeks and will brief Ministers, including Mr. Varley and Mr. Kaufman, the Industry Minister responsible for aerospace in the Department of Industry, and, probably, Mr. Edmund Dell, the Trade Secretary, and Mr. Stanley Clinton Davis, Parliamentary Under Secretary for Aviation.

The aim is to enable Ministers and officials from these, and probably other departments, such as the Treasury and Foreign Office, to get first-hand details of the U.S. companies offer in terms of work and costs.

The talks are not being regarded as negotiations. They are intended solely as fact-finding exercises to enable the U.K. Government to decide the direction the U.K. aerospace industry ought to take in future—either collaborating with the U.S. or with Western Europe.

The visit is strictly a Government exercise, and the U.S. industry leaders will not hold talks with British Aerospace or Rolls-Royce, although they may have courtesy meetings with Lord Beswick and Sir Kenneth Keith, the respective chairmen of the U.K. companies.

One reason for Mr. Varley's invitation is understood to be that Lord Beswick has declined to discuss any collaborative offers with the U.S. industry, while he is negotiating with the European aerospace industry on developing a possible Joint European Transport aircraft.

This has meant that the U.S. companies have had virtually no opportunity to spell out their cases for collaboration with the U.K.

In Whitehall, senior officials are understood to have felt that this was creating a serious gap in their knowledge, which needed to be filled before recommendations could be made to Ministers, and then to the Cabinet committee studying the question of future aircraft programmes.

The programme likely to be discussed include the Boeing offer of collaboration on the proposed 757 short-range jet airliner, which could use the Rolls-Royce RB-211 Dash 535 engine of 32,000 lb thrust, with the possibility also of that engine being used in the proposed 777 tri-jet, and of the bigger RB-211, the Dash 22, of 42,000 lb thrust, being used in the twin-engined 767 jet.

McDonnel Douglas has offered collaboration on a wide range of programmes, civil and military, including work on its proposed Advanced Technology Medium-Range transport, which would also use Rolls-Royce RB-211 engines, with help for the U.K. in marketing the proposed British Aerospace HS-146 70-100 seat feeder-liner in the U.S. and eventual work on a second - generation supersonic transport.

Lockheed, already a major collaborator with the U.K. on the TriStar jet airliner, which uses the RB-211 engine, has offered collaboration on a new version, the Dash 600, a short to medium range twin-engined derivative of the TriStar that would seat about 200 passengers, and also use the Dash 524B version of the RB-211 of 50,000 lb. thrust.

Concern in the West German and French aerospace industries that these forthcoming talks might jeopardise current negotiations on the JET is being allayed by the U.K. emphasis that they are purely fact-finding.

The U.K. Government, while recognising the political and economic factors underlying new aircraft programmes with Western Europe, is nevertheless keen to ensure that the possibility of profitable long-term programmes with the U.S. is not lost by default.

While Lord Beswick may not feel able to talk to the U.S., the U.K. Government has the absolute right to talk to whom it chooses.

Ministers have stressed the Government's intention of taking eventual decisions on the basis of commercial, rather than political considerations, and they feel they can only do this if they have all the facts directly from everyone concerned.

Depressed areas 'fail to benefit fully from incentives'

By Ray Perman, Scottish Correspondent

MUCH OF the money being spe[nt] to build up industry in t[he] depressed regions of Britain [by] blanket incentives may be bei[ng] wasted, it is suggested by wo[rk] being done on a model of t[he] Scottish economy produce[d] jointly by the Scottish Counc[il], the Fraser of Allander Institut[e] and the IBM U.K. scientif[ic] centre.

The results show that there [is] a high degree of leakage fro[m] the Scottish economy to oth[er] more prosperous parts of t[he] country, and that many [of] the newer industries bein[g] encouraged by Government co[n]tribute more to employment els[e]where in Britain and abroad tha[n] they do for Scotland.

For example, electronics, on[e] of the fastest-growing sectors i[n] Scotland, which sells nearly 9[0] per cent. of its output oversea[s] or to the rest of the U.K., als[o] imports nearly 60 per cent. o[f] its component parts.

Vehicle-building, which th[e] Government has bolstered by it[s] support of Chrysler's Linwoo[d] plant and investment in Ley[land's] Scottish truck and tracto[r] factories, buys very few of it[s] components locally. More tha[n] 90 per cent. of the value of it[s] output is represented by import[s] from England or abroad.

Employment

The general conclusion is tha[t] newer industries in Scotland ar[e] poorly linked with the rest o[f] the economy, a finding which i[s] likely to hold true for othe[r] depressed regions.

This is reflected in multiplie[r] figures produced from the model which show that for every £1 o[f] income earned directly from employment created, the spin-of[f] in the rest of the Scottish economy is only 32p. The figure for the U.K. as a whole is 81p.

Prof. James McGilvray, one o[f] the directors of the project, said yesterday that one of the implications of the study for Government policy was that industrial promotion should be selective, concentrating on import substitution rather than subsidising industry across the board.

"Any idea of stimulating the Scottish economy through demand management, or demand growth, has very little possibility." Even if the U.K. economy showed an improved rate of growth, the effect on Scotland and regions like it would be very small.

"In order to improve the Scottish economy, you need to deepen it, rather than to widen it."

Half private solicitors 'earn less than £7,050'

BY JAMES McDONALD

HALF the solicitors in priate practice had "real earnings" of less than £7,050 in 1976, well below the National Health Service income of the average doctors, according to a study carried out by the Law Society in that year and published to-day.

The survey compared the median real earnings of solicitors in private practice with those of general medical practitioners (£8,593), dentists (£7,798) and Metropolitan stipendiary magistrates (£11,750).

In a few firms with 20 or more principals, however—almost all concentrated in the City of London and with their business "not typical of the profession as a whole"—the median share of net pre-tax income was £40,000 per year.

The survey—which covered a sample of 4,230 firms—says that the problem of earning a reasonable income is especially difficult for smaller firms which provide "an irreplaceable service to the public" particularly in rural areas.

One in three solicitors who practised on their own had a gross income below £5,000 and, after allowing for the cost of maintaining existing capital, income would be about £4,800.

"Out of that sum he must provide his own pension. He is quite unable to provide anything remotely adequate and will not be able to afford to retire."

Inadequate

Solicitors obtained about 76 per cent. of their fees from non-contentious work. While the report recommends that the charges in non-contentious business should not be varied, under the principles set out under the 1972 Order, it says that the net income from contentious work is inadequate.

"For instance, for every £100 of fees charged by a solicitor for court work generally, over £75 goes on overheads. The failure of committees subject to Government control to deal adequately with fees explains this shortfall."

While the expense to a firm of a solicitor attending a High Court trial could not be less than £70 per day, the scale allowance was £20.25. "Legal Aid work in the Crown Court is often done at a loss.

"The present system of charging by reference to the complicated, illogical and archaic scales must be abolished and replaced by the fair and reasonable system which applies to non-contentious work."

Commenting on the high income made by some large firms of solicitors, the report says: "Their work is mainly commercial and often international, and involves large sums of money, frequent journeys abroad, often at short notice and very special skills.

"Practising in the City of London is also very expensive, so that large and ever-increasing capital sums have to be introduced and maintained out of taxed income by partners in these firms.

"Bearing in mind these factors, these firms are able to make profits which reflect the service they provide."

Report on the 1976 Survey of the Structure and Remuneration of the Solicitors' branch of the legal profession in private practice; The Law Society 113 Chancery Lane, London WC2.

Pernod sales in U.K. rise by 11.52%

Financial Times Reporter

SALES of Pernod in the U.K. increased by 11.52 per cent. last year compared with a national average decrease in spirits sales of 14.4 per cent. according to figures issued yesterday by Mr. Claude de Jouvencel, managing director of the U.K. subsidiary, J. R. Parkington.

This year Pernod will take about one quarter of the company's planned £1m. advertising and promotional budget, the main effort will be poster campaigns in London, Manchester and Liverpool during spring and late autumn.

In the first quarter of 1978 sales of all Pernod/Ricard products, including wines and brandy, were up by 43 per cent. on the same period last year.

Designer wins business award

A FASHION designer was named yesterday as Manchester's Entrepreneur of the Year. She won £1,000 to help her start in business.

Ms. Jane Tiller, 24, beat 74 other competitors for an award which also includes the offer of rent-free business premises by Manchester City Council and financial, marketing and managerial advice from National Westminster Bank.

Electronic research emphasis 'should be in private sector'

BY MAX WILKINSON

THE EMPHASIS of research into advanced electronic devices should be shifted from Government establishments to private industry, an industrial strategy report says to-day.

The suggestion is made in the National Economic Development Council sector working party report* on radio, radar and electronic capital goods which says that the need to shift research efforts from the public sector was proposed by industrial members of the working party.

"They strongly hold the view that there needs to be a transfer of work, money and people from the public sector to manufacturing industry.

"The public sector should do enough research and development on its own account to ensure that it is an intelligent customer, but should otherwise only undertake work that industry cannot or will not do."

The Government was performing just over a tenth of total national electronics research and development in its own laboratories. Of the remainder, nationalised industries and Government funded about 60 per cent.

The total amount of research and development in the sector was about adequate. Government representatives had told the committee that the Ministry of Defence, as one of the sector's main customers, would continue to give industry the maximum possible responsibility for design production and development.

Since much of the research done in Government laboratories was made available to industry, the Government representatives argued that the results became widely disseminated within industry.

Overall, the sector was said to be "one of the more successful parts of the U.K. manufacturing industry," with exports valued at 40 per cent. of production and a rate of productivity increase of about 5 per cent. a year, twice the national average.

However, the U.K.'s share of world trade in the sector fell from 11 per cent. in 1970 to 9.5 per cent. in 1975. Most of this fall resulted from a decline in world marekt share for radio communications, radar and navigational aids.

During the period, the surplus on visible trade for the sector rose from £46m. in 1970 to £135m. in 1975 (at current prices).

The working party suggests that production should increase by 5 per cent. a year up to 1 80. This would mean a total production of £750m. in 1980 (at 1975 prices) compared with £586m. in 1975.

Employment in the sector fell from 99,000 in 1970 to 80,000 in the recession of 1972, but recovered to 92,000 by last June. However, a survey of the need for skilled test technicians disclosed a shortage of at least 10 per cent. over the country as a whole. Some companies reported an even more serious shortage of computer programmers.

* *Radio, Radar and Electronic Capital Goods Progress Report 1978 (NECD).*

£3m. boost for Ulster gas industry

By Our Belfast Correspondent

THE GOVERNMENT has agreed to inject another £3m. into Ulster's ailing gas industry, but it says that prices to the consumer will have to rise by as much as 10 per cent.

It is an interim move while Mr. Roy Mason, the Northern Ireland Secretary, considers whether to commit more than £70m. for a pipeline to bring natural gas from Scotland at a vastly reduced cost to the consumer.

Mr. Mason is under pressure from the dozen or more individual gas undertakings to give the go-ahead for natural gas as soon as possible.

Mr. Harold McCusker, MP, chairman of the province's Gas Employers' Association, said yesterday: "The rise in prices will make it extremely hard to hold on to existing customers at a time when the Government has not yet made a decision on the long-term future."

Building industry's future 'brighter'

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

PROSPECTS FOR the construction industry continue to look a little brighter, according to the National Federation of Building Trades Employees.

The latest state of trade inquiry conducted by the federation suggests that the increase in work first noted last December has continued.

The inquiry, carried out last month, confirms a growing feeling in the industry that the recession has now bottomed out and that more work is on the way.

The extent of any recovery, however, is uncertain, although many contractors do not believe that any significant improvement is on the way. Most predictions suggest that output will rise by only 1 or 2 per cent. overall this year from the recent low levels.

The inquiry shows that 42 per cent. of the companies taking part in this survey reported increasing inquiries for work, while only 19 per cent. said they had actually fallen.

While more contractors now think they will be busier this year than in 1977, there is no evident inclination to employ more people. Most companies are still working well below capacity, with 72 per cent. saying they could take on more work.

No widespread shortages of materials and components are reported.

● Figures published yesterday by the Department of the Environment show that brick production in March reached 420m., against 375m. in February and 491m. in March, 1977. Deliveries last month totalled 400m. against 299m. in February and 415m. a year earlier.

In the three months ending in March, production was 3 per cent. down on the preceding quarter and 7 per cent down on a year before. Deliveries for the corresponding period were 8 per cent. down on the previous quarter but 2 per cent. up on January-March 1977.

Rig switched to drill Irish well

By Ray Dafter, Energy Correspondent

BRITISH PETROLEUM has suspended drilling in Block 23/26 so that its rig can take advantage of fine weather to drill an exploration well in exposed waters off south-west Ireland.

The rig, Sedco 703, has begun drilling the second well on the Irish block 56/26. The first well on the block was abandoned.

The group, in which BP Petroleum Development is operator, comprises: BP (60 per cent.); Aran Energy (25 per cent.); Sceptre Resources (7.5 per cent.); and Saga Ireland (7.5 per cent.).

The suspended well was being drilled close to an oil discovery by BP in 1976. It was reported then that the company had tested a small accumulation at a flow rate of 4,800 barrels a day.

Sedco 703 had been drilling the well, close to the U.K. Lomond Field and the Norwegian Cod Field, since January 12.

Boucher work makes record £35,000

SALEROOM

BY ANTONY THORNCROFT

A DRAWING of Apollo by Boucher—pictured above—sold for £35,000 at Sotheby's yesterday, easily an auction record for a drawing by the French artist.

It was the top price in the sale of Old Master drawings collected by the American singer and actor David Daniels which together totalled £189,520, well above forecast.

The Apollo was bought by Ward-Jackson, the London dealer, who also has to pay the 10 per cent. buyer's premium.

Other high prices were the £13,000 from Tunick, a New York dealer, for a drawing of *Faun Holding a Mascaroon* by Annibale Carracci; £11,500 from a New York collector for a pen and ink drawing by Corrado Giaquinto, also an auction record for the artist; and £9,000 for *A Quaker* drawn by Alessandro Magnasco (another artist record).

Two metaphorical drawings of the Netherlands, c. 1610, by Joachim Wtewael, went for £6,500 and £6,000 to the Centraal Museum of Utrecht. *Two Warriors* by Il Guercino made £5,800. In future Mr. Daniels will collect 19th century drawings.

Christie's series of spring auctions got under way at the Hotel Richmond, Geneva, on Monday with sales of watches and clocks as well as fine and rare wines. There will be 13 sales throughout the week.

Watches and clocks sold for £255,953 (Sw.Frs.929,110), with watches made for the Turkish and Eastern markets selling well. Bobinet, the London dealer, paid £11,020 for a Dutch monstrance clock by Pierre Paulus of Amsterdam.

The concluding session of Christie's two-day sale devoted to antiquities in London realised £78,355, to bring the overall total to £232,642.

● NEWS ANALYSIS—MILK MARKETING BOARDS

Silkin fights for milk service

BY CHRISTOPHER PARKES

MR. JOHN SILKIN, Minister of Agriculture, has long appreciated the value of "public opinion" as a weapon in his seemingly endless struggles with the Common Market's bureaucracy.

Now he is working hard to enlist consumer support for his campaign to preserve the U.K.'s Milk Marketing Boards.

Hardly a headline-catching subject in themselves, the Boards have sprung to prominence recently because the Minister chooses to present the EEC Commission's attempts to amalgamate them into the Community dairy policy as a threat to the British tradition of door-to-door delivery of milk.

It is generally accepted in Europe that the Milk Boards' monopolistic characteristics — they have the right to buy and sell all milk produced in Britain, for example—put them beyond the Community's legal pale. Although not tested in any court, this theses has been tacitly accepted by the Nine.

But because the boards make such a sound job of managing the milk market here and because the dairy industry elsewhere in the Community is drowning in its own surpluses, no Minister is particularly eager to see them dismantled or disrupted. Indeed, the Council of Ministers has been discussing this week a change in the basic milk regulations of the EEC proposed specially to accommodate the peculiarities of the British system.

This is a rare honour. Eight Ministers and the Commission have been bending over backwards to please the British. Mr. Silkin is insisting, however, that they flex their backbones even further.

He wants it established, beyond any shadow of a doubt, that when the negotiations end, the rights and structures of the British milk boards will be fundamentally unchanged.

What is possibly more important is his campaign for a guarantee that they will never be called into question again—at least not by any Community country other than Britain, or any Commission bureaucraty.

The Commission's latest proposals, however, call for a review of the situation within five years.

Mr. Silkin seems to feel that he has already won so many allies in his overall fight, and so much support for the main Commission proposals, that this final concession can be squeezed relatively painlessly out of his European ministerial colleagues.

While the dissolution, or even disruption, of the Milk Marketing Board's operations might lead ultimately to the collapse of the liquid milk distribution system and the inevitable diversion of milk into making butter and skimmed milk powder to add to the Community's renowned mountains, there are other significant economic and social factors to be considered.

Beyond buying, selling and directing the use of milk production, the strength of the British milk industry depends largely on its "price pooling" principle.

In broad terms, the price for all milk used in Britain is averaged out to balance the high value of milk going for drinking against the relatively low value put on milk used in the manufacture of dairy products.

Farmers are paid roughly the same for their output regardless of where they farm.

Without such a system, producers in areas near big towns would wax fat on the proceeds from the local market for drinking milk. That would leave the many thousands of dairy farmers in the West Country and other "isolated" regions out in the cold.

Cut off by prohibitive transport costs from the most lucrative markets, they would have no alternative but to sell almost all their output for manufacturing. No one could afford to do that for long. Ultimately, unless large-scale co-operatives took over, they would be driven to the wall. The loss of their milk production would shut most of the creameries in Britain.

Jobs would be lost in already depressed regions and milk products would have to be imported in large quantities to cover the fall in domestic production.

LABOUR NEWS

Unions will see Leyland to-day on Speke closure

BY ALAN PIKE, LABOUR CORRESPONDENT

UNION LEADERS will meet British Leyland management to-day to see whether there is any room for improvement in the redundancy terms offered to workers at the Speke, Liverpool, assembly plant which is due to close next month.

The outcome of this morning's talks will do much to determine the attitude of the Confederation of Shipbuilding and Engineering Unions' executive when it meets later in the day.

Although the Speke workers have rejected the redundancy terms and the proposal to close the factory, the Amalgamated Union of Engineering Workers executive once again deferred a decision when it met yesterday.

Mr. Hugh Scanlon, president, said that the executive wanted to know the best possible redundancy terms which the company was prepared to offer.

Although the confederation is opposed to compulsory redundancy the cautious view of the AUEW suggests that some union leaders believe that if the terms weer improved they might be accepted by the 3,000 men who stand to lose their jobs.

Some of the confederation executive are likely to argue at to-night's meeting that the future success of British Leyland will not be achieved without the workers accepting some measure of rationalisation.

Car assembly at Leyland's Cowley plant was halted yesterday because of a strike by 250 delivery drivers in Oxford over the company's failure to re-employ a dismissed shop steward.

But the strike by foremen at the Rover plant at Solihull was called off yesterday at a meeting of the 340 men, members of the Association of Scientific, Technical and Managerial Staffs.

● Lucas Aerospace shop stewards claimed official union support yesterday for their campaign to oppose company reorganisation plans involving closure of the Liverpool plant, which employs 1,450 workers.

About 70 delegates from the 17 aerospace sites met in Birmingham and renewed their pledge to resist the transfer of equipment and labour. The meeting was convened by the Confederation of Shipbuilding and Engineering Unions.

Aerospace unions consider action

BY PAULINE CLARK, LABOUR STAFF

LEADERS of 5,000 key technologists and other white collar workers in British Aerospace warned yesterday of "a very serious possibility" of action, unless they achieve equal representation with TUC affiliated unions on industrial democracy.

Representatives of seven independent trade unions in the industry claimed that about half their membership was already committed to the principle of industrial action. Others are expected to follow suit if their demands for a place in the proposed industrial democracy system are ignored.

A meeting of the British Aerospace Board to-day is expected to consider a joint letter from the unions, expressing "strong disapproval" of a claim by the Confederation of Shipbuilding and Engineering Unions for exclusive rights of representation on factory councils.

The letter, sent to each member of the Board by the Aerospace staffs liaison committee, also argues the rights of non-union employees involved in the democratic process to come in this year under the Nationalisation Act.

If only confederation trade unionists were given rights of representation, the Board would be ignoring the voice of about half its total 65,000 to 70,000 workforce, whose stake in the industry was "at least as great" as that of confederation members.

The committee, formed last December to represent staff associations covering managerial, professional engineering and research staff in the industry's 23 factories, will decide at its next meeting on May 11 whether it should proceed with plans for action.

Staff bonus disallowed

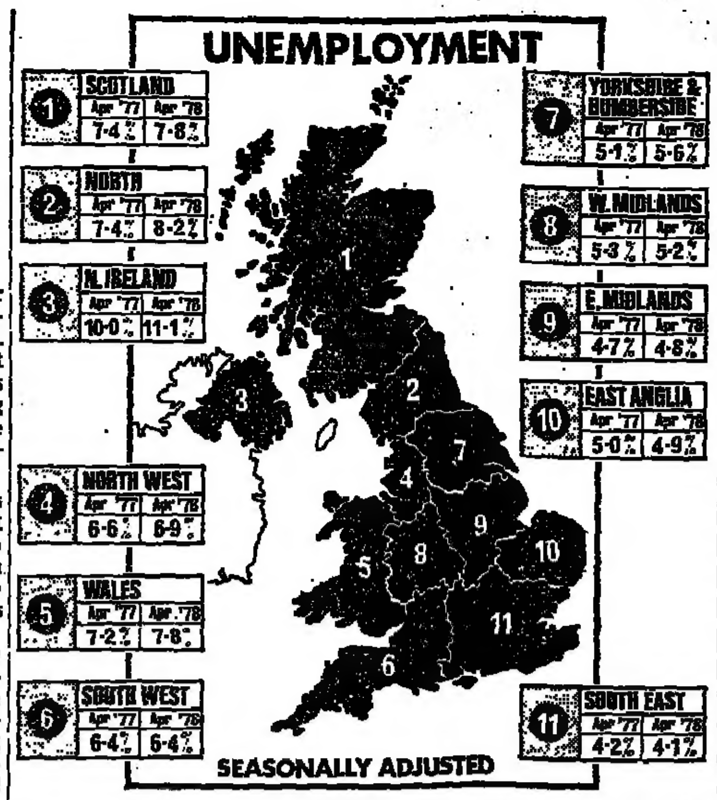
By Christian Tyler, Labour Editor

THE DEPARTMENT of Employment has told the accountancy firm Price Waterhouse that payment of "loyalty" bonuses to its staff would be a breach of the pay guidelines.

But it has agreed to productivity schemes put forward by Price Waterhouse and another big firm, Peat Marwick and Mitchell.

Price Waterhouse had told its 800 staff that if they stayed until June 30 they would be paid a bonus worth 5 per cent. of salary. The sums would have ranged up to £300. Peat Marwick had offered bonuses only to its Birmingham staff.

Meanwhile pay policy negotiations involving another City firm, Sun Alliance and London insurance group, have yet to resolve the argument whether the group's decision to make its pension scheme non-contributory is a breach of the policy.



Unemployment fell in April in the U.K., except in Yorkshire and Humberside, where it was unchanged, and the West Midlands and Northern Ireland.

The biggest improvement was in Scotland, where unemployment fell 2.7 per cent. to 172,400, seasonally adjusted. There was a 2 per cent. decline in the north of the country and falls of 1.1 and 1.3 per cent. in the south east and south west respectively.

The jobless total rose by just 100 in the West Midlands, to 120,900, seasonally adjusted while the rise in Ulster was 1.7 per cent.

Northern Ireland's unemployment rate was the highest, at 11.1 per cent., followed by the north with 8.2 per cent., and Wales and Scotland with 7.8 per cent. each. The lowest rate was in the south east, 4.1 per cent.

Safety staff suspended at Windscale

SAFETY workers at the Windscale atomic plant, Cumbria, were suspended yesterday over a pay dispute.

After staging a series of token strikes, the plant's 150 health physics monitors were warned by British Nuclear Fuels that they would be suspended for three days unless they worked normally.

The men claim the company has failed to honour a pay agreement.

Claridge's will pay £30 'loyalty' bonus

By Philip Bassett

STAFF at Claridge's, the London hotel, who took no part in the recent strike will receive £30 or the nearest equivalent in shares in the company, the management said last night after a meeting of directors.

The share bonus will be payable to the nearest equivalent of £30 in 'A' Ordinary shares of the Savoy Group, of which Claridge's is a member. The shares stood yesterday at 70p.

Pit four-day week urged by Daly

BY OUR OWN CORRESPONDENT

DEMANDS for a four-day week in the coal industry were underlined yesterday by Mr. Lawrence Daly, general secretary of the National Union of Mineworkers.

Though the miners' leaders have talked often enough about the possibility of a further cut in the working week, this has usually taken the form of a demand for shorter shifts.

Mr. Daly raised the subject when he addressd th annual conference of the union's Midlands area, covering the Warwickshire and Staffordshire coalfields.

He told delegates in Llandudno: "Some people are already talking about a four-day week.

"If there is an industry in which a man should be able to get a decent wage for working four days a week, surely the strongest case is that of the mineworkers."

He suggested that the three-day week-end might be brought about in two stages.

First, working a nin-day fortnight, but the pits operating five days a week by rota system; and later a straight four-day week throughout the industry.

ACAS moves to settle Rolls dispute

By Our Coventry Correspondent

ACAS has intervened in the deadlocked Rolls-Royce dispute in Coventry.

Officials of the Advisory, Conciliation and Arbitration Service will act as peacemakers in talks to-day between management and union officials.

Rolls Royce's two Coventry factories have been shut for nearly a month because of a pay dispute involving the 4,000 manual workers. Another 4,000 clerical workers are laid off.

The company has offered a 9.7 per cent. increase, but the manual workers want 10 per cent. There is also a long-standing disagreement over the company's wish to phase out piece-work.

NUBE opposes move to keep shop hours

BY OUR LABOUR STAFF

THE National Union of Bank Employees has protested to Barclays Bank over its intention to introduce evening and Saturday morning opening at its Brent Cross branch in North London.

The bank is discussing with the Barclays Group Staff Association its proposals to open the branch from 9.30 a.m. to 8 p.m. Monday to Friday, and 9 a.m. to 6 p.m. on Saturday.

Barclays says that the Brent Cross branch, which is in a large shopping centre, is a special case where the opening hours need to match shop hours.

Changed hours at Brent Cross have nothing to do with the productivity deal for staff which involves a pilot scheme of extended opening in a small number of branches.

NUBE, which is opposed to Saturday opening, says Brent Cross staff who do not want to work the new hours will be forced to transfer to other branches.

Brewery hit

PRODUCTION at the Tyneside headquarters of the Northern Clubs Federation Brewery was at a standstill yesterday after engineers and draymen walked out in a dispute over union recognition.

Safety fines 'still too low'

By Philip Bassett, Labour St[...]

FINES imposed by the c[...] on firms which break s[...] regulations are still [...] enough to be a matter of [...] cern, the Health and S[...] Executive said yesterday[...]

In the second annual repo[...] the Health and Safety [...] mission, Mr. John L[...] director of the executive, [...] there was still concern a[...] low level of fines even [...] serious offences.

"Excessively low fines und[...] the work of our inspe[...] and devalue the efforts o[...] those in industry who ar[...] ing to do something po[...] about health and safet[...] work."

The executive's report [...] that the Criminal Law [...] 1977, will increase from [...] to £1,000 the fines magist[...] can impose. It hopes tha[...] increase will do somethi[...] influence the general lev[...] fines.

A total of 16m. working [...] were lost through acci[...] in 1976.

Prescribed industrial dis[...] account for about 80[...] working days lost and a[...] 700 deaths a year. Mar[...] the deaths result from [...] sure to conditions w[...] caused the diseases more [...] 10 years ago, the report [...]

The commission has told [...] Albert Booth, Employ[...] Secretary, that Crown b[...] should be liable to the [...] sanctions as other bodie[...] breaking safety regulatio[...]

● The Government's Trai[...] Opportunities Scheme w[...] be more successful if gr[...] effort was directed at hel[...] trainees in the months [...] their courses, the first pul[...] tion of the Policy Studie[...] stitute says to-day.

It says that three out o[...] trainees did not get a [...] in the trade for which [...] were trained.

APPOINTMENTS

Main Board post at De La Rue

Lord Charteris of Amisfield has joined the Board of the DE LA RUE COMPANY.

★

Mr. Stanley Clarke, group chairman and managing director of Courier Press (Holdings), is to be nominated for election as president of the BRITISH PRINTING INDUSTRIES FEDERATION 1978-1979 at the annual meeting on May 20. Other nominations approved are Mr. Peter Medcalf, as senior vice-president, Mr. John Wood, junior vice-president, and Lord Ebbisham, honorary treasurer.

★

Colonel Guy German has been appointed honorary life president of KEELING AND WALKER and Mr. Godfrey Bostock has been made chairman in his place. The company is a member of the Amalgamated Metal Corporation group.

★

Mr. Frank Dunphy, manager (trade development), is to be manager of the new MIDLAND BANK international division branch which opens at Hanover Square, W.1, on May 2.

★

Mr. T. H. Boyle and **Mr. D. A. Foote** are retiring from the partnership of SIMON AND COATES, stockbrokers, on April 28. Mr. Foote will remain with the firm as an associate. The following associated members of Simon and Coates will be taken into partnership from the same date: Mr. M. F. Hicks, Mr. R. J. Latham, Mr. A. M. Stewart, Mr. M. J. Hesketh, Mr. T. J. Hitchcock, Mr. D. G. A. Gordon and Mr. W. R. Charlesworth.

★

Mr. Norman Spiers has been appointed adviser in London to the FIRST NATIONAL BANK OF MARYLAND.

★

Mr. T. M. Tagg has retired as advisor to BANK SEPAH IRAN and Mr. J. L. Warwick, previously of Australia and New Zealand Banking Group, takes over that position.

★

J. C. Bamford Excavators has formed a company called TELESCOPIC HANDLERS with Mr. J. F. Harrison as managing director. He has been succeeded as U.K. general sales director, JCB Sales, by Mr. Roger Eve.

★

Mr. Douglas Stead has been appointed a director of UD ENGINEERING, a subsidiary of the Capper-Neill group.

★

Mr. D. W. Roberts has resigned from REDIFON TELECOMMUNICATIONS, but continues as a consultant. Mr. F. C. Bennett has become operations director. Mr. W. S. Robertson, managing director of Redifon Telecommunications, succeeds Mr. Roberts as chairman of Crystal Electronics and is joined on that Board by Mr. S. R. Pitin.

★

Mr. T. W. Eassie has been appointed to ROTORK as group chief executive with responsibility for all divisions. He has been succeeded by Mr. R. P. Bacon as chief executive, controls division. Mr. G. J. Burge takes over from Mr. Bacon as production director on the controls divisional Board. Mr. Jeremy Fry continues as group executive chairman.

★

Mr. G. T. Spratt is to become secretary and Mr. J. D. Williams, assistant secretary, of the COMMERCIAL UNION ASSURANCE COMPANY from May 1. Mr. C. R. Harris relinquishes his position as secretary at the end of this month but will continue as an executive director.

★

Mr. Andrew Thomson, managing director of AM and S Europe, has been elected chairman of the ZINC AND LEAD DEVELOPMENT ASSOCIATIONS, London, in succession to Mr. Keith Hendrick, of Noranda Mines Canada. Mr. Hendrick and Mr. T. B. Borresen are now deputy chairmen.

Privileges call over naming of Colonel B

By Philip Rawstorne

CONSERVATIVE lawyers yesterday tabled a Commons motion calling for the conduct of four Labour MPs who named Colonel B—the secrets case witness from Army Intelligence — to be referred to the Commons Privileges Committee.

Mr. Mark Carlisle, MP for Runcorn and a former Home Office Minister, who sponsored the motion, said that the MPs appeared to have acted in breach of the Commons rules on sub judice matters.

"I think this is a matter of great importance since it could create a precedent by which MPs in future may be guided," he said.

Two of the Labour MPs raised the issue again in the Commons yesterday. Mr. Christopher Price (Lab. Lewisham W), said: "Sometimes there are circumstances of such national importance that Parliament must have a say irrespective of the position of the courts on the matter."

The Speaker, Mr. George Thomas, said he would consider questions about his ruling made by Mr. Price but rejected a further attempt by Mr. Robert Kilroy-Silk (Lab. Ormskirk) to pursue the affair.

Minister may visit Japan

By Our Parliamentary Staff

MR. ALAN WILLIAMS, Minister of State for Industry, told the Commons last night that he is considering making a further visit to Japan to try to encourage increased investment in the United Kingdom.

In a written reply to Mr. Kenneth Clarke (C., Rushcliffe), Mr. Williams said he visited Japan at the beginning of April to correct any false impressions which might have been caused by Hitachi's decision last year to withdraw its proposal to establish a factory in the U.K. He also sought to encourage further Japanese investment in this country.

"I am considering following this up with another visit later this year. My department will hold seminars in Japan this autumn as part of what is a continuous programme of promotion of the advantages of the U.K. as a base for manufacture for the European and wider markets."

Mr. Williams said that the Government extended the same welcome to proposals by Japanese companies to invest in industrial projects in the U.K. as to similar proposals from other foreign companies. All the incentives and forms of assistance which were designed to encourage such investment were available to foreign and U.K. companies on an equal basis.

Forces let down over pay, Thatcher claims

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE NEW pay award for the armed forces came in for strong criticism in the Commons yesterday from Mrs. Margaret Thatcher, Leader of the Opposition, who claimed that the Government had failed lamentably to provide the levels of pay which the services deserved.

But the Prime Minister, who announced details of the award, argued that Mrs. Thatcher was entirely ignoring the need to maintain the 10 per cent. pay policy.

"I believe the majority of the people of this country will think we have taken a sensible and fair decision," Mr. Callaghan told the House.

In his statement, he announced a 10 per cent. rise in the military salary plus 3 per cent. for the "X" factor, which takes into account the disadvantages of service life, and 1 per cent. in allowances—making a total of 14 per cent.

The Armed Forces Pay Review Body, in its report, said that an average increase in pay of 32 per cent. was now required to restore the full military salary to comparability with civilian employment. It recommended that this should be implemented in stages by April, 1980.

The Prime Minister accepted the recommendation on behalf of the Government.

During the exchanges, however, he indicated that he was far from satisfied with the present arrangements for deciding public sector pay and hinted that he was eager to see new methods adopted.

"If there are better ways of determining the pay of public servants, I think we should try to find them," he commented.

Mr. Callaghan said he had noted with interest the suggestions put forward recently by Mr. David Basnett, of the General and Municipal Workers' Union. This was an apparent reference to Mr. Basnett's *proposal that* public sector unions should jointly negotiate wage increases with the Government through a public services committee which would be set up by the TUC.

Mr. Callaghan said that the Government did not want public service workers, whether armed forces or anyone else, to suffer in comparison with other workers. At the same time, he stressed that the Government was not prepared to tolerate leapfrogging in pay claims, with the public and private sectors competing with each other.

"There is no doubt that, on occasions, the public services use the private sector to build on. The converse can happen and set off another wage explosion. I am determined that that will not happen."

From the Opposition front bench, Mrs. Thatcher said the Conservatives were deeply disturbed that the forces had been let down over pay and would continue to be let down for some time to come.

Average earnings in the country were rising by 14 per cent. and armed forces pay had fallen behind its civilian equivalent by 32 per cent. This means that for another year the forces were going to stay as far behind as they are now.

"Why has the Government done nothing this year to reduce the gap which has led to so many resignations and has sapped morale in the forces?" she demanded.

Her party welcomed the pro*mise to restore comparability* in two years' time, but the Tory leader observed that promises so far in the future cost the Government nothing. "We shall restore comparability and we shall restore it more quickly," promised.

Mr. William Hamilton (Lab. Fife Cent.) wanted to know the total cost of the increase and how it would be included in the defence estimates. Mr. Callaghan told him that the expenditure could be accommodated within the total figure set out in the estimates.

This brought an attack from Sir Ian Gilmour, Tory defence spokesman, who said the Prime Minister had shown remarkable ignorance. It was totally wrong to suggest that the figures for the increase could be kept within the cash limits as the Defence Secretary, Mr. Fred Mulley, had already said that it would be outside the defence budget.

In a statement later, Sir Ian said that as a result of the award, many servicemen would fall even further behind civilian pay and others would barely keep up. "The forces are a unique case and should be treated as such," he declared.

Sir Keith barred by Left students

By Rupert Cornwell, Lobby Staff

SIR KEITH JOSEPH, the Tories' chief policy adviser and shadow Industry Secretary was yesterday barred by Left wing student leaders from giving a lunchtime lecture at the London School of Economics.

Just before he was due to speak, Sir Keith was confronted with a demand that he should sign a declaration totally opposing immigration controls into the U.K. This he refused to do, and the meeting was closed.

The engagement itself had been arranged six months ago by the LSE's Conservative Association and no conditions were set on what he could say. Last night *Sir Keith condemned the move* as a blatant interference with free speech. "This is the first time I have ever had conditions like this imposed," he said.

The declaration arises directly from the so-called "no-platform" resolution carried at the last National Union of Students conference, where the Left wing coalition, which dominates student politics, made significant gains at the expense of the Conservatives.

It stipulates that no-one should be allowed to address a student audience without pledging his opposition to immigration curbs. In theory, this would debar practically every Minister and MP in the Commons.

● The ban on Sir Keith was last night condemned as attempted "mind-control" by Ms Sue Slipman, retiring president of the NUS. "The LSE has brought shame on the whole student movement," she declared.

Mr. Trevor Phillips, due to take over this autumn as the union's first black president, is to visit the school to-day.

Scots and Welsh likely to vote on same day

BY IVOR OWEN, PARLIAMENTARY STAFF

DESPITE THE objections of Plaid Cymru, the referenda which will effectively determine whether devolved assemblies are established in Cardiff and Edinburgh are likely to be held on the same day.

This was reaffirmed in the Commons last night by Mr. John Smith, Privy Council Minister of State, although he pointed out that the final decision would rest with MPs.

The order authorising the referenda would be subject to Parliamentary approval he declared.

Some MPs were obviously puzzled when the Minister drew attention to the difficulties that could arise over the legislative progress of the two Bills, with the Wales Bill trailing behind the Scotland Bill already through the Commons and now being considered by the House of Lords.

Mr. Smith had to assure Mr. Emlyn Hooson (L., Montgomery) that he was not seeking to cast doubts on the likelihood of the Wales Bill reaching the Statute Book in the current Parliamentary session.

He also confirmed that the Government intends to move an amendment at report stage to restore the clause—defeated last week when Conservative MPs joined forces with Plaid Cymru against the Government—which allows the Government to delay bringing the Bill into effect until after the referendum verdict is known.

The Minister joined with Labour backbenchers in suggesting that Conservative MPs had behaved "foolishly." Without the restoration of the clause, the Bill would become law immediately on receiving the Royal Assent even though the Welsh Assembly—to which the Welsh Secretary would be bound to transfer many of his existing powers—had not been set up.

Mr. Dafydd Wigley (Plaid Cymru, Caernarvon) was unrepentent about the action of the Welsh Nationalist MPs in defeating the clause. He explained that they wanted the Bill to become law immediately on receiving the Royal Assent because a referendum subject to the qualification that a "Yes" vote must comprise 40 per cent. of the Welsh electorate to be effective was basically unfair.

A Government new clause establishing a three-months gap between a general election and the devolution referendum, similar to that already included in the Scotland Bill, was approved without a division.

MP criticises cleaning plan

A PROPOSAL to clean the exterior of the Palace of Westminster has been attacked by Mr. Neil Kinnock, the Labour MP for Bedwelty.

The recommendation is to be made in a report of the House of Commons Services Committee to be published to-morrow.

Ex-MPs 'difficult to place'

Financial Times Reporter

BUSINESSMEN are reluctant to hire ex-MPs, and the average politician who losses his seat at the next election may finish up in the dole queue, according to a survey by Robert Lee International, the executive employment agency.

The survey, which examined attitudes to politicians throughout business, found that most MPs were virtually unemployable outside politics unless they had the qualifications or experience to rejoin a profession.

Businessmen thought MPs were narrow-minded and lacked expertise. Ex-politicians rejected views which clashed with their preconceived ideas—an unsuitable attitude for senior executives.

Businessmen also thought MPs were unreliable because they had the political bug, and would always be looking for another seat in the Commons. And unqualified MPs wanted unjustifiably high salaries.

MPs were also said to lack *courage. One director pointed to the Labour MPs who helped* write the Select Committee on Nationalised Industries report which criticised the British Steel Corporation, but still voted with the Government.

TWO BY-ELECTIONS . . . AND THEIR MESSAGE

Epsom: Election pointer in a Tory heartland

BY RICHARD EVANS

EVEN IN the volatile world of by-election politics, it is safe to predict that Epsom and Ewell will return a Conservative MP to-morrow with a substantial majority, and, at first glance, the contest looks as predictable, and therefore lacking in interest, as any of the 14 by-elections held in this Parliament.

Yet all the major parties are taking it extremely seriously and the entrails of the result to be declared around 1 a.m. on Friday will be read with as much interest as the less easily predicted by-elections at Ilford North, Lambeth and Garscadden.

If Mr. Callaghan is going to choose in July between an autumn election or soldiering on into next year, he needs to have more certain indicators of the relative standing of the parties than the conflicting evidence he has received so far. Both Epsom and High Wycombe should add to his relevant knowledge.

Epsom and Ewell is one of the safest Tory seats in the country, held by the former MP, Sir Peter Rawlinson, QC (now Lord Rawlinson of Ewell) for 22 years with majorities ranging from 16,000 to 24,000. In October, 1974, his majority was 16,290 when he captured 54 per cent. of the vote.

Th constituency takes in outer London suburbia in Ewell and Stoneleigh and lush areas of stockbroker Tudor around Leatherhead and Ashtead. In short, it is Tory heartland with a predominantly middle-class commuter population and over 70 per cent. owner-occupation.

Yet the Conservative candidate, Mr. Archie Hamilton, having captured the nomination against strong local opposition, is fighting a surprisingly vigorous campaign with back-up visits from Mrs. Thatcher, Sir Keith *Joseph, Sir Geoffrey Howe* and a team of agents and MPs from neighbouring constituencies. The Tories realise they have to get their vote out to ensure there are no signs of apathy in what is little short of a rotten borough.

A much stiffer test faces the Liberals, though, and it is on their performance that most of the political interest in the result will centre. They have vied closely with Labour for second place in the last six elections and gained their greatest success in February, 1974, with over 18,000 votes to Labour's 10,000. But the Liberal vote slipped in the October election to 15,700 while Labour's rose to 11,500. Both candidates are claiming with confidence that they will come second to Mr. Hamilton.

The Liberal, Mr. Michael Anderson, 47, is on leave from his personnel management job with Shell International. He has lived in the constituency for 10 years and gains from being the only "local" candidate. He is very much on the defensive, however, loyally explaining the advantages of the Lib-Lab pact especially economic stability and lower mortgage rates. But the results of recent by-elections show it is not an easy message to get across.

Reasonable

In the knowledge that they must do well in a seat like Epsom where they came a good second with over a quarter of the poll, the Liberals have drafted in Mr. John Spiller, their astute by-election specialist, to direct the campaign. His tactic is to run "a conventional political campaign on national issues" rather than the pavement politics once favoured in neighbouring Sutton and Cheam. But it has been a very brief campaign with little time to canvass adequately the large electorate of 82,000.

The Conservative tactic is to go for all the Liberal voters they can find, but as many were disaffected Tories in 1974, it is often difficult to track them down. Mr. Hamilton, an archetypal younger Tory, with a background of Eton and the Coldstream Guards and a father Lord Hamilton of Dalzell, who is Lord Lieutenant of Surrey, believes the Liberals could be annihilated and lose their deposit.

This, predictably, is also the view of Mr. Tony Mooney, the engaging young Labour candidate being blooded in his first by-election. He claims to find d enchantment with Mrs. Thatc among some Tories and grudgi praise for Mr. Callaghan doing a reasonable job in di cult economic circumstances.

His aim is to maximise t vote among the 12 per cent. the electorate living on coun estates and to make certain th *he, rather than the Liberal, tal* the benefit from improvi economic circumstances. C vass impressions show that t Budget has made a good impr sion and that the Governmen record is becoming easier defend.

He is also highly critical the lack of facilities for bo young and old in an area run local level by Conservatives their allies, the Ratepayers.

The National Front is putti up a candidate, Mr. Jam Sawyer, a 63-year-old drivi school instructor, but it is n fertile ground for the par There are no more than a har ful of coloured immigrants the constituency and Mr. Sawy is having to concentrate in l leaflet campaign on law a order. But as the Tory candida is a hard liner, advocati capital punishment for terroris and the building of more prison there is little scope.

The fifth candidate has e livened the bustling Epsom hig street by conducting the lou speaker campaign from his whi Rolls-Royce Corniche convertib He is Mr. Jonathan King, p singer and record produce standing as a Royalist candidat He is treated as a joke by t others and he clearly has se publicity in mind rather than political career.

The probable outcome is a com fortable Conservative win, ma ing Mr. Hamilton the tallest M in the Commons, on a poll dow from the 74 per cent. of the la general election, with t *Liberals falling back.*

The key question will whether the Liberals can cli onto second place and resto party morale, or whether Epso will provide yet another omino indicator to Mr. David Steel th his efforts to drag his party t wards the levers of power a still failing to get through t the electorate.

Wycombe: critical test of Liberal prospects

BY PHILIP RAWSTORNE

THE LIBERAL performance at Wycombe to-morrow has become a critical test of the party's prospects of entering the next General Election as a significant political force.

In each of the five elections of the past 15 years, the Liberal vote in this safe Conservative seat has topped 8,000. In October, 1974, though still running in third place, the party polled more than 11,000, or nearly 20 per cent. of the vote.

After the string of by-election disasters in the past year, Liberal support to-morrow will be anxiously weighed against these past standards. The party's morale, political strategy and electoral credibility now hang heavily on the Wycombe yardstick. Acutely aware of what is at stake, the Liberals have made strenuous efforts to meet the test.

Mr. David Steel has led his MPs into the constituency in a thrusting defence of the Lib-Lab pact. The party of moderation has immodestly trumpeted its claims on every turn of good fortune from cuts in taxation and inflation to increases in the gold reserves.

A lively party organisation has been reinforced by an influx of voluntary workers from other constituencies. With this support, the Liberal candidate, Mr. Harry Warschauer, a Czech-born journalist, has conducted his political campaign with the same zest and enterprise that has won him a national Press award.

The bearded Mr. Warschauer pursues his votes with unrelenting energy. No sooner had the Conservative council demanded payment in advance for council house repairs than he had *organised a protest petition from* several thousand tenants.

Wycombe has a well-established community of some 10,000 West Indians, Pakistanis and Indians. It includes the largest concentration of people from St. Vincent to be found outside the Caribbean island.

Race relations have been good. And several immigrant leaders have pledged the Liberals their votes to defend the position.

Mr. Ray Whitney, the Conservative candidate, roused some anger among the immigrants by the initial enthusiasm with which he echoed Mrs. Margaret Thatcher's policy.

A former diplomat and son of a shoe-maker, Mr. Whitney's political progress has been marked by a tendency to put his foot in it and then tactfully withdraw.

In this field, he found safer ground in the week-end brawls between the National Front supporters who arrive by train to lend further incredibility to their tongue-tied housewife candidate, Mrs. Sylvia Jones, and the Anti-Nazi League's flying protest picket.

Mr. Whitney stands back—like the rest of Wycombe — and preaches the cause of Conservative law and order, to some effect. But though he speaks Chinese, Spanish, French an German, his fluency in the pol glot of politics might have bee suspect in a more demandin seat.

Wycombe, however, will no seriously question his au.ho rised party version. Disrael sleeps there; so, too, do thou sands of commuters who hav doubled the population of thi Chilterns town and its surround ing villages in the past 2 years and multiplied the Tor majority in the process.

No real difficulties stand i Mr. Whitney's way to Wes minster. The only obstacle ha been the party's selection meet ings.

His opponents suggest wit optimism and some irony tha as a newcomer to the area, Mr Whitney may not retain th loyal personal following that hi predecessor, Sir John Hal acquired in 26 years of diligen political caretaking.

The Labour candidate, Mr Trevor Fowler, seeking to main tain the party's respectabl *second-place* vote, has pitche his campaign heavily on hi appeal as the local man.

Mr. Fowler has spent most o his 47 years in the area, workin first as a printer and latterly a a full-time trade union official.

He has a solid record of com munity service—10 years as councillor, former secretary o the Trades Council, active in com munity relations and local spor —which has made his fac familiar and his concern clear.

Steel stresses collective view

BY RUPERT CORNWELL

MR. DAVID STEEL, the Liberal leader, last night moved to squash suggestions that he is out of sympathy with his party's economics spokesman, Mr. John Pardoe, and his running battle with Treasury Ministers over further cuts in income tax.

Significantly, however, Mr. Steel referred, in a speech, not to the much-touted reduction of basic rate but to the changes in higher levels of income tax which look the most probable outcome of the detailed examination next month of the Budget proposals by the Commons.

The need for a shift in the burden of taxation from direct to indirect was the collective view of the 13 Liberal MPs at Westminster, he told a by-election meeting in Epsom.

"Contrary to the impression given by some reports, it is not a private theory of John Pardoe."

But, Mr. Steel added, the present levels of higher taxation were gravely damaging to Britain's commercial and industrial interests in a competitive world. "There are very few votes to be had in cutting higher taxes, but that is not the point.

"It is the right thing to do for our economy in most people's eyes, except those of the doctrinaire Socialist wing of the Labour Party."

Meanwhile, the Treasury is drawing up a detailed costing of the various amendments that will feature in the Finance Bill battle. Each 1p off the present basic rate of 34p. in the £ would cost an estimated £370m.

To reduce the topmost marginal rate on earned income from the existing 83 per cent. to 75 per cent. would produce a £60m. loss of revenue. But the sweeping cut advocated by some—to 60 per cent.—would cost a much more significant sum of £280m.

No compensation for move to Gatwick

BY OUR PARLIAMENTARY CORRESPONDENT

THE GOVERNMENT does not intend to compensate airlines which move from Heathrow to Gatwick, Mr. Stanley Clinton Davis, Trade Under-Secretary, told the Commons in a written answer last night.

He was replying to Mr. Robert McCrindle (C. Brentwood and Ongar) about Air Canada's move from Heathrow to Gatwick.

Mr. Davis said that no estimate of the cost of transferring from Heathrow to Gatwick had so far been provided by Air Canada. "In accordance with international practice in these matters—which was followed by the Canadian Government in respect of British Airways' transfer to Mirabel—it is not the Government's intention to compensate airlines which move from Heathrow to Gatwick.

The extensive new facilities, excellent access and less congestion both inside and outside the airport should give Gatwick a considerable appeal for passengers travelling to and from Canada.

Action on jobs subsidy delay

ACTION HAS been taken to deal with a ten-week delay in processing temporary employment subsidy applications at one of the Employment Department's regional offices, Mr. John Golding, Employment Under Secretary, told the Commons in a written answer. Additional staff had been allocated for TES work and the position was rapidly improving.

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Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● ENERGY

Sun power in the Gulf

KUWAIT INSTITUTE for Scientific Research has a budget of Kuwaiti dinars1.2m. (about £2.4m.) for solar energy research and development studies. "Given the high overheads of operating in Kuwait, it is really the equivalent of $US600,000," the KISR director responsible for solar energy studies Dr. N. A. S. Malik told the *Financial Times* after his talk, earlier this week, at the Solar Energy Conference, Soltech 78, in Bahrain.

Soltech 78 is the first major international conference on solar energy to be held in the Gulf and Dr. Malik was speaking to scientists and engineers from over 20 countries. He outlined the major activities of the 18-month-old KISR solar energy programme which a 15-man department is carrying out.

The two primary areas of interest are solar cooling and heating of buildings and the agricultural applications of solar energy. "The major objective of the programme is to commercialise the solar technology for use in this part of the world," said Dr. Malik.

A demonstration dwelling unit which will be heated and cooled by solar energy is under construction in Kuwait and should be ready in a couple of weeks. Allied to a study of solar energy for houses is a study on the energy conservation effects of insulation against the fierce temperatures of the Gulf summer.

Insulation is a subject virtually ignored during building construction in the Gulf but it is likely that KISR recommendations may be adopted as part of Kuwait's forthcoming new building regulations.

In agricultural application of solar energy Dr. Malik's programme concentrates on solar desalination, integrated food-water-power complexes and greenhouses especially designed to mitigate the harsh Gulf climate. Prototype greenhouses have been built and tested (and produced tomatoes) and one is shortly to be installed in Bahrain where KISR is about to embark on a joint research programme with the Bahrain National Oil Company.

Delegates heard R. N. Morse, of Australia, argue that "until energy costs reach levels where the return on investment is sufficient to attract risk capital, there will be need for government support . . . the justification for this is that it could lead to an orderly transition from fossil fuels to a renewable non polluting alternative." In other words, solar energy.

Mr. Morse discussed Australian research work on solar energy with particular reference to a soft drinks plant near Canberra where an experimental installation has been in operation since January 1977.

A breakdown of costs for the plant at 330 dollars per square metre showed that the collectors accounted for about two-fifths of the total, the energy transfer loops with controls for about half and the thermal store for only 10 per cent. "It would appear that the cost of thermal storage is not as high as originally thought, but the energy transfer loops, insulation and controls need to be given a great deal more attention."

Soltech 78 is an exhibition and conference programme organised by Arabian Exhibitions Management and is taking place in Bahrain until April 27. The conference programme was organised by Prof. David Hall of the University of London, King's College.

● MACHINE TOOLS

Accurate turner

MORE powerful than its companion machine launched some months ago, the new Gemturn FX25 allows for 6-tool and 12-tool operations, using only three types of holder.

Versions of this machine are available for either numerical or computer numerical control. A microscope gauge allows semi-skilled operatives to set tools to within 0.01mm.

In the six-tool version the machine has a maximum cutting diameter of 300mm., reducing to 130mm. with the 12-tool version. Bar sizes up to 65mm. are handled and the maximum cutting length is 300mm.

Where the extra tools are used, setting up times are greatly reduced and the machine is suitable for short batch runs.

Main spindle speeds are selectable in 39 steps from 25 to 2000 rpm. Drive is from an 11kW dc motor.

N. C. Engineering, 26 Benskin Road, Watford, Herts WD1 8NW. Watford 34396.

● INSTRUMENTS

Finds the hidden defects

INTENDED primarily to detect and examine defects in aircraft structural element fastener holes, but also suitable for the examination of pressure vessels, submarine structures and other assemblies where integrity of components made from conductive materials is essential, is what Gulton believes to be the only automatic motorised flaw detector in existence.

It was developed to take account of the fact that fatigue cracks in high stress areas must be found before they become critical and while they are within a size which allows of their removal by oversizing the hole so that a larger fastener can be used.

The unit provides a tiny motorised scanning probe which rotates spirally through the fastener hole while maintaining contact with the wall of the hole. Scanning depth is adjustable.

During scanning, operators can observe what is going on through a display or strip chart —the various types of flaws have characteristic and easily identifiable waveforms.

The system is fully portable and four probes are provided with each, ranging from 3/16 inch to 1 inch in increments of 1/16 inch. A surface probe is available for the use on conductive metal surfaces to find flaws.

Technirite Europe, Gulton International, Maple Works, Old Shoreham Road, Hove, BN3 7EY. 0273 778401.

● SAFETY

Better emergency wiring

ALTHOUGH the reason for the failure of the fire alarm system at the Summerland fire disaster in the Isle of Man was not established beyond doubt, the fact remains, says BICC, that part of the wiring (wherever the cable was within public view) was in mineral insulated cable while the remainder was PVC insulated cable in conduit.

The commission of inquiry into the fire held that, in their opinion, the failure has been due to the effect of heat on the PVC cable.

The new Summerland, to be opened to the public on May 27, will make use of Pyrotenax exclusively for all the emergency circuit wiring. This includes fire alarm, emergency lighting, all wiring to the sprinkler system and for emergency door alarms. Some 25,000 metres of the cable have been used.

● COMMUNICATIONS

Shows cost of phone calls

DESIGNED TO reduce the anguish, and possible ensuing financial pain, felt by domestic and business users when facing their end-of-quarter telephone accounts, is a unit which monitors the cost of the calls and shows, in pounds and pence in large green fluorescent digits, the price of the calls as they are being made.

This British microprocessor-based product, called the Monitel Telephone Charge Clock, computes and displays the cost of calls, automatically accounting for the day of the week, time of the day, the charge band tariffs and VAT rate, and also incorporates a digital clock.

The charge clock gets its instructions from a punched card supplied and subsequently replaced if and when telephone charges rise. A neat keyboard is fitted to the front of a "platform" on which the telephone sits, takes up very little extra desk or table top space and comes in seven standard colours to match available telephones.

Designed so as not to infringe the Post Office Act, the unit is not connected to the 'phone, but runs direct off mains power (with a four-metre long cable) and is activated by the user.

Its primary function is to let the user know how much is being spent on a call as research has shown that most people are unaware of the cost of calls and when asked make haphazard guesses, often underestimating charges by up to 50 per cent. It will not, therefore, prevent or log "theft" calls in the office or home, but will highlight the economic and unnecessary cost of conversations by the verbose and careless user.

An unfortunate aspect from the domestic user's view is that the device is not child-proof. The stiff punch card, easily inserted into the unit after the telephone instrument has been taken off the monitor's rest, can just as easily be removed and torn or completely demolished by mischievous, juvenile fingers, thus denying function while the consumer is awaiting a replacement card.

The products will reach retail outlets like W. H. Smith, Rymans and leading department stores throughout the U.K., within the next two weeks. The U.K. model will sell at around £29 and an International version at about £39, both VAT inclusive. They can also be leased for around 3p per day.

More information from Monitel, Berechurch Road, Colchester, Essex. 0206 48227.

● NORTH SEA OIL

Monitor watches for leaks

CRUCIALLY important monitoring equipment to detect and report breaks or leaks in oil and gas pipelines to the mainland from North Sea fields and between operating rigs is to be supplied by the Ferranti company following an order placed by Shell UK Exploration and Production.

Telemetry systems will cover the pipeline to Sullom Voe and the future gas line to the Scottish mainland, and the pipeline integrity system (PLIS) will have as its primary function to watch for anomalies from a centre in Aberdeen where a mass-balance routine will be run to compare volume input to the pipeline with the volume output at Sullom Voe.

Linked in with this will be the stations on the platforms themselves, operating on microcomputers to monitor continuously pipeline pressures. These stations will detect the rapid rate of change of pressure associated with the shock wave characteristic of a fracture.

Secondary functions for the Aberdeen centre will be logging each platform's production, monitoring main oil-line valves, pumps and other essential units, and monitoring the inter-platforms communication system. The master stations will control, via tropospheric and line of sight links the 27 outstations to be located on eight platforms in the Brent, Dunlin, Cormorant and Thistle fields and at the pipeline landfalls at Sullom and St. Fergus.

Twin processors will be used to give the network a high degree of availability.

At the operator end will be a series of colour semi-graphic visual displays which will simplify the task of grasping a mass of operational data at a glance. Watchkeepers will be able to call up immediately the latest logs of pipeline data as well as graphical presentation of pump, valve and motor states. Important displays will be stored in memory if the operator so decides.

For emergency intervention the watchkeeper will be able either to throttle back input to the pipeline or close it down completely, simply by pressing the appropriate button.

Access to information held in Aberdeen will be provided through comparable facilities at Sullom and St. Fergus. But neither of these will have ability to influence processing operations in the main centre.

More from Ferranti, Simonsway, Manchester M22 5LA. 061-428 3644.

● BANKING

TSB network in Scotland

ALREADY the world leader in financial terminals used by bank staff and by customers to speed banking operations Philips Data Systems has consolidated its position with a win at Scottish Trustee Savings Banks for the installation of counter terminal systems in 109 branches.

Customers in this instance are a consortium of three out of the four Scottish regional TSB's and they will be operating the Philips PTS 6000 terminals on-line and in real time with a Burroughs B3800 mainframe computer installed at the new TSB centre in Glasgow.

This will be the first counter terminal equipment installed in Scottish TSB branches. Counter staff will be linked via the units through branch controllers and private lines to the stored information in the Glasgow machine.

The requisite communications software has been written by Philips and the systems software is now being developed in conjunction with the Scottish TSB centre.

Installation of the £2m. worth of equipment begins late this year with completion scheduled for the autumn of next year.

Hardware will be made in Sweden and will provide each position with its own mini, passbook and journal roll printers, keyboard and display. Many transactions will be carried out at the counter at far higher speeds than hitherto possible, aiding the TSB's in their fight for expansion.

This is the largest single order for this banking terminal in Britain to date and the 22nd since the PTS 6000 was launched in the U.K. in January 1977.

World-wide terminals installed and on order now have exceeded the 24,000 mark.

● COMPUTING

Control of manufacture

DATRON ELECTRONICS is computerising its manufacturing management by the introduction of a new system called "Manman." Datron—the first U.K. company to adopt the system—has placed the order, valued at £54,000, with Scientific Control Systems (SCICON) and expects it to be in operation within three months, to provide management control and information over a variety of manufacturing procedures.

Based on the Hewlett Packard 1000—with strategically placed VDU terminals—the system will cover inventory control, work-in-progress, material requirements planning, purchasing, product costing and management reporting. The configuration comprises a 128 Kbyte memory processor, a 20Mbyte disc store, three display terminals (two of which are read/write) and a 180 cps serial printer.

Datron staff will use the terminals to enter information about components, bills [of] materials, works orders, p[ur]chase orders, sales orders [and] sales forecasts. The system [will] then calculate future compon[ent] demand, purchase order timi[ng] (taking into account curr[ent] stock, lead times and outsta[nd]ing orders), assembly and s[ub-]assembly manufacturing sch[ed]ules to meet planned deliver[ies] and various other items [of] management accounting inf[or]mation.

SCICON plans delivery in J[une] 1978 and will have already [set] up the necessary informati[on] and program to allow [the] system to be used from the [day] it is installed. This includes [the] training of Datron staff.

Datron Electronics, Met[eor] Close, Norwich Airport Ind[us]trial Estate, Norwich NR6 6[...] 0603 412128.

● MATERIALS

Insulates the roof

A PHENOLIC foam roof insulation board consisting of a core of rigid phenolic foam insulation, laminated on each face with glass fibre tissue, has been introduced by Thomas Ness (a National Coal Board Company).

The phenolic foam core provides a high degree of thermal insulation, enabling the designer to satisfy current and anticipated U-value requirements with very low loading of the roof deck. Because of its essentially closed cell structure, it has low water absorption and the cellular core also resists the passage of water vapour.

Ness-Board can be used on concrete, timber or metal r[oof] decks before waterproofing w[ith] built-up felt, asphalt or sing[le] layer roofing materials.

As the board is dimensiona[lly] stable it will not create stress[es] in the waterproofing layer [so] that bitumen felts can be fix[ed] directly to the roofboard witho[ut] suffering excessive stresses d[ue] to thermal movement of the [in]sulation.

It can be laid in hot bitum[en] without suffering damage or d[is]tortion, even at the high[est] bitumen temperatures used [in] roofing. Details of the mater[ial] can be obtained from Thom[as] Ness at Coal House, Lyon Ro[ad], Harrow, Middx. (01-427 9001.)

● COMPONENTS

Matches any motor need

ASEA has a new series of helical gear units and geared motors. They are designed for output torques up to 1040 Nm, power ratings up to 7.5 kW and nominal speeds between 2.3 and 320 rpm.

The new gears, with the type designation UAA, are available in five sizes and two versions.

Gear housing and bearing end-shield are of high-grade cast-iron. The integral feet on the gear housing enable the gear unit to be attached to the foundation. Flange connections for the outgoing shaft are available. Gear units with flanges can be attached either to the foundation or to the driv[en] machine.

Designed according to a mod[u]lar system, a few compone[nts] give a great variety of ge[ar] units of different ratings. Th[ey] are available in a long series [of] different speeds. Gear units [in] several different sizes can [be] delivered for each nomi[nal] speed. As standard, 2- or 3-sta[ge] gear units are available. T[he] larger gear units are also obta[in]able in a 4-stage version. Wh[en] used together with 4-pole moto[rs] the gear units can give spee[ds] as low as 0.6 rpm.

ASEA, Villiers House, [...] Strand, London WC2N 5J[...] 01-930 8411.

LOMBARD

One European growth sector

BY JOHN CHERRINGTON

THE LATE President Roosevelt gained considerable notoriety in the 30s by proposing to pay farmers not to produce hogs in an attempt to push up the market price. Since then the practice has become respectable, particularly in the U.S. where farmers are paid to put their land in "set-aside." Other countries have various forms of quota restraints, in an attempt to keep production in line with market demand.

The EEC Common Agricultural Policy has, up till now, avoided the restrictions placed on other countries' farmers, except for a quota on sugar, by restricting imports with levies and almost total bans. To this is added support buying and storage which has resulted in the so-called mountains of beef, butter, skimmed milk powder and lakes of olive oil and wine.

Small part

Farmers claim, with some justice, that these mountains only represent a very small proportion of the total supply, a few days' or weeks' consumption, and are no more than a sensible reserve against some natural disaster. Nevertheless, the CAP provides what farmers everywhere have demanded, an open-ended guarantee for all they cared to produce.

Nowhere is this more apparent than with milk, which has shown a steady increase in output over the years. The cost of the milk guarantee is about a third of the Community agricultural budget and amounts to approximately £1.3bn. at the Green rates of exchange. It works out at about £50 for every one of the 25m. Community cows, and is spent on all forms of price support, subsidised exports, and so on.

No one could accuse the Commission of being complacent about this. Agricultural Ministers and farmers are constantly warned of the absurdity of encouraging ever-increasing production in face of a declining market. But apart from what is called a co-responsibility levy of 1½ per cent. imposed on all deliveries, which is imperfectly observed in some countries, very little positive is being done.

The latest ploy is a reversal to Roosevelt. For agreeing to go out of dairying altogether or converting to beef, farmers will receive subsidies which would vary from about £320 per head for herds of six cows, to £232 for large herds of 110 upwards. The payments could be made over five years, and would be rather higher in the case of farmers converting to beef. These terms represent an increase on those offered recently which drew very few takers, and resulted in fewer than 1 per cent. of the Community's cows being offered. As overall milk production is increasing by 2 per cent. annually the incentives were insufficient to make any impact on the problem.

Nor is it likely to be any more successful this time. The most obvious reason is that no European Government would wish to add to its urban or rural unemployed at this time by removing small farmers from their holdings.

There are 2.1m. dairy herds in Europe but of these 38.6 per cent., or 840,000, are of four cows or less and represent 7 per cent. of the European herd. As these small herds probably represent the least efficient producers, their complete elimination would make very little difference to overall supplies, but cause tremendous social and political repercussions.

The problem really centres on the increasing efficiency of the medium and larger holdings on which less than 40 per cent. of the Community's dairy men have 70 per cent. of the cows. Any scheme to remove them from production would be fiercely resisted by farmers, but would be much more cost effective in that each unit would represent more cows. The holdings being larger would also provide more opportunity for alternative production.

A reduction in price which the EEC's recent increases represent in real terms, would be very unlikely to reduce production and could well increase it as farmers sought to increase their output to reduce their unit costs.

Temporary

When asked for suggestions, farmers' representatives have pointed to the continuing importation of New Zeland butter (cheese imports from that source have now ceased) and suggested that they should not be renewed when the protocol allowing their entry expires in 1980. This move would only be a temporary mitigation; present New Zealand imports to Britain are 120,000 tonnes and the EEC surplus over consumption last year was 175,000 tonnes.

The fact is that while production is increasing at a rate of 2 per cent., consumption of milk productions is falling by 1 per cent. overall, and the cost of the regime has doubled since 1974 — one of the few sectors of European growth.

Batchelor's Buttons and Shaggy Headed Daisy

GARDENS TO-DAY

BY ROBIN LANE FOX

THESE last weeks in April are your last chance to avoid too much of a chore with bedding plants later in the year. No small garden is ever quite so bright if it avoids bedding-plants altogether: this year, I am experimenting with *Nasturtiums* in a dry wall, believing that their big seeds will be easily pushed into any gaps which have earth in them and that they will trail forwards and flower freely there. I have seen this trick in France, but nowhere else: wait until July for a report on it. Otherwise, I am trying to grow less half-hardy annuals than usual. They have given me three poor years in the last three dry early summers. They are a long labour if you allow a whole bed to depend on them. So I am using the next fortnight to fill the gaps more permanently withou. I hope losing too much late summer colour.

Rather common

Oddly, I have never put in a word for the old Double Daisy, Batchelor's Buttons, as some call it. Its stock, I think, has been declining as fast as the British motor cars, perhaps with even less reason. It is the sort of plant which smart gardeners consider rather common. They are wrong, of course. You may reconcile yourself to the Giant Monstrous Shaggy Headed Daisy, now at the head of seedsmen's lists. It is too much for me. Its flowers are too fast and too wide for the size of the plant and thus, I agree, are too vulgar to be worth buying. But a packet of mixed *Bellis Perennis*, merely in its old Giant form, is a very sound buy.

It germinates like chick-weed. You can fit it into the front of any bed, however crowded. It prefers to be shaded and slightly damp. Liquid manure goes to its head and makes it perform all the better. It is six inches high, like the sort of daisy which you probably murder in your lawn for no good reason. It is double-flowered, of course, shading through red, white and white marked with red. It flowers persistently, from spring until September, and whenever you want more, you merely split a piece off from its mat of daisy-leaves. No bed into which it is tucked will ever be without colour. Mercifully, it persists and spreads from year to year, so it is no trouble at all. I have never seen it so fine as when placed at the foot of a chicken-run from which litter and chicken-mess easily come its way. When fed on liquid Bio, it is twice as good a plant.

Violas are, if anything, even more useful. They, too, are perennial. They spread freely. They like awward shade. Some of the purple sorts can be a niusance if they seed themselves too freely. But all the varieties derived from the Horned Pansy, *Viola Cornuta*, are controllable and quite excellent.

I have a wide stock now of coloured violas from seed easily raised from the fine range offered by Thompson and Morgan of Ipswich. Blacks, purples, apricot and raspberry pink: they trail forwards, edge a bed, fill in under roses or hide the sort of gap which those big red border-poppies leave in June. Never buy more than one plant from a nursery as it multiplies in a year into twenty possible divisions, like the old Bachelor's Button. As a perennial answer to summer bedding-plants, these violets, smaller-flowered than the fully-bred Pansy, are quite invaluable.

There is another last-minute concealment of those gaps left by this winter's awful wet and frost: try to plant some late summer-flowering bulbs. Dahlias are not the only possibility. Wherever you have lost a clump of tall border-plants, the summer Hyacinth, *Galtonia Candicans*, is a quick and noble replacement. Plant its large bulbs some six to a clump, three inches' deep, and you will have a bold group of tall white bell-flowers on stiff stems to a height of four feet in late summer. If only its big leaves were not so excessive and easily-broken. But they can be hidden in surrounding greenery, and the flower-spikes remains that rare asset, a solid shape of clearly-coloured flower which is at its firmest and most mature within a year.

For similar reasons, I favour the perennial Fennel. This is not, I fear, the edible fennel of Mediterranean vegetable markets. It also seeds itself too prolifically, so you must be prepared to hunt round for a large crop of misplaced seedlings. But what gardeners want, I think, are plants which draw the eye and stand out, here and there, in noble isolation. The colour of a good big bed of petunias draws attention by a different appeal: it takes up our time, too. But if you place the Fennel carefully, you have something almost as spectacular without any work. The annuals, then can be placed as and where you have time for them: you no longer rely on them and have to give them tr
week-ends in early June.

The Fennel, especially its fir
dark-leaved form, should not
lost in the back of a border, ov
which it will seed too freel
Place it by itself when you ca
admire first its superbly c
feather-plumes of young da
leaves, then the tall stems
yellow-headed flowers whi
stand so lightly and elegant
against an uncrowded bac
ground. Make the most of it b
giving it a front place, in th
foreground beside garden ste
alone beside a gravel path, on
bank or beyond a main hous
window. It grows so fast ar
easily.

Bold feature

It will give you height and
bold feature within a year. Bu
you must place it as if it were
statue or an emphatic end to
view. If the hail, snow or summe
gales of our crazy weather d
not flatten it, you will have
common plant which will however, make as much of a mark
six feet high as a hundre
massed blue *lobelias*.

New chance for Fair Season

RACING

BY DOMINIC WIGAN

FAIR SEASON, who ran badly in the Irish Sweeps Lincoln in spite of being ante-post favourite, could be worth one more chance in to-day's renewal of the City and Suburban at Epsom.

His performance in early spring made Ian Balding believe that he had the Silly Season four-year-old back to his juvenile form, but Fair Season may find Better Blessed, trained by Balding's brother-in-law, Willie Hastings-Bass, his toughest opponent.

This So Blessed colt, who took the International Harvester Autumn Handicap in September, has come on since running respectably on his seasonal debut and is set to give the Kingsclere runner just 1 lb.

There may be little between them, and I give Fair Season, whose stablemate Turnpike sprung a 20-1 surprise in the race a year ago, only a tentative vote.

No two-year-old—with the possible exception of Schweppeshire Lad—has created a better initial impression this season than Kasak and it will be fascinating to see if the Peter Ashworth juvenile can follow up his Newbury victory in the Hyde Park Stakes.

Kasak, the four lengths conqueror of Tap on Wood in the Berkshire course's Beckhampton stakes, meets a worthy opponent in Spy Chief. This twice-raced and twice-successful colt represents that formidable local combination of Brian Swift and Geoff Lewis that took the prize a year ago through Edna's Choice, following a three-lengths Newmarket victory over the subsequent Gimcrack winner, Tumbledownwind.

I expect Spy Chief to hold off the still-green Kasak.

At to-day's other meeting, Catterick, I feel sure it will pay backers to note the strong Jack Hardy team, for which Taffy Thomas has travelled up from Newmarket.

On the corresponding afternoon a year ago, Hardy and Thomas won two races and it seems probable that they will do at least as well on this occasion.

Their best proposition would be Young Bloodhawke in the Richmond stakes, won a year ago by the even-money Hardy favourite, Brinston Zipper.

Young Bloodhawke is considered to be one of his trainer's better and more forward two-year-olds and, if this is the case, he should have the legs of the opposition.

SELECTIONS

EPSOM

2.00—Portola
2.30—Oriental Rocket
3.05—Fair Season**
3.35—Spy Chief
4.10—Paul Diver
4.45—House Guard

CATTERICK

2.15—Subsidise
2.45—Private Love
3.15—Palamine
3.45—Gipsy Prince*
4.15—Beverley Boy
4.45—Young Bloodhawke***

Licence fees campaign

THE Greater London Council is to ask other local authorities to join a campaign to put further pressure on the Home Office to raise licence fees for cinematograph, plays and private music and dance licences.

Mr. Bryan Cassidy, vice-chairman of the GLC's Public Services and Safety Committee, said: "We first asked the Home Office to raise these licence fees back in 1975.

"They have now been 'under review' for nearly three years, during which time the Home Office has fobbed off another GLC request made earlier this year and given a dusty answer to a recent parliamentary question."

Mr. Cassidy added: "Since the £5 fee was last raised over ten years ago, inflation alone has reduced its comparative value to about £1.50. But administrative costs have gone up and, ultimately, it is the ratepayers who foot the bill. The GLC charges other organisations between £36 and £1,170 for annual licences."

TV/Radio

† Indicates programme in black and white

BBC 1

6.40-7.55 a.m. Open University. 9.38 For Schools and Colleges. 10.45 You and Me. 11.00-12.30 p.m. For Schools and Colleges. 12.45 News. 1.00 Pebble Mill. 1.45 Bagpuss. 2.01-2.55 For Schools and Colleges. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Bailey's Comets. 4.40 The Canal Children. 5.05 John Craven's Newsround. 5.10 Think of a Number.
5.40 News.
5.55 Nationwide.
6.55 The Wednesday Film: "Earth II."
8.30 The Liver Birds.
9.00 News.
9.25 The Hong Kong Beat.
9.55 Sportsnight.
10.45 Tonight.
11.25-11.30 Regional News.

All regional programmes as Wales—5.10-5.40 p.m. Bilidowcar. 5.55-6.20 Wales Today. 6.55 Heddiw. 7.20 Tom and Jerry. 7.25 Ask the Family. 8.00-8.30 In Our Nature. 11.25 News and Weather for Wales.

Scotland—5.55-6.20 p.m. Reporting Scotland. 11.25 News and Weather for Scotland.

Northern Ireland—3.53-3.55 p.m. Northern Ireland News. 5.55-6.20 Scene Around Six. 9.25-9.55 Spotlight. 11.25 News and Weather for Northern Ireland.

England—5.55-6.20 p.m. Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 a.m. Open University.
10.25 Gharbar.
11.00 Play School
11.25-11.50 Open University.
4.55 p.m. Open University.
7.00 News.
7.05 Mr. Smith Propagates Plants.
7.30 Newsday.
8.10 Brass Tacks.
9.00 Call My Bluff.
†9.30 Midweek Cinema: "Evergreen," starring Jessie Matthews.
11.00 News.
11.10 Snooker.
12.00-12.10 a.m. Closedown: Georgina Anderson reads "The Pulley," by George Herbert.

LONDON

9.30 a.m. Schools Programmes. 12.00 Here Comes Mumfie. 12.10 p.m. Pipkins. 12.30 Sounds of Britain. 1.00 News. 1.20 Help! 1.30 Crown Court. 2.00 After Noon. 2.25 Mid-Week Racing from Epsom. 3.50 Paint Along with Nancy. 4.20 How. 4.45 A Bunch of Fives. 5.15 Emmerdale Farm.
5.45 News.
6.00 Thames at Six.
6.35 Crossroads.
7.00 This Is Your Life.
7.30 Coronation Street.
8.00 The Streets of San Francisco.
9.00 Faces of Communism.
10.00 News.
10.30 The Sweeney.
11.30 World Snooker.
12.00 The Andy Williams Show.
12.25 a.m. Close: Gillian Bailey reads a poem for Save The Children Week.

All IBA Regions as London except:—

ANGLIA

1.25 p.m. Anglia News. 2.00 Houseparty. 5.15 Mr. and Mrs. 6.00 About Anglia. 8.00 Rafferty. 11.30 Celebrity Concert. 12.25 a.m. The Big Question.

ATV

1.20 p.m. ATV Newsdesk. 3.50 The Sullivans. 5.15 Mr. and Mrs. 6.00 ATV Today. 9.00 Miss ATV 1978. 10.30 Ladies Night. 11.15 Drive-In.

BORDER

†1.20 p.m. Border News. 2.00 Houseparty. 5.15 Mr. and Mrs. 6.00 Lookaround. 8.00 Rafferty. 11.30 Gibbsville. †12.25 a.m. Border News Summary.

CHANNEL

1.18 Channel News. What's On Where. 6.00 Channel News. 6.15 Wildlife Theatre. 8.00 Rafferty. 10.28 Channel News. 11.30 Survival Special. 12.25 a.m. News and weather in French followed by Epilogue.

GRAMPIAN

9.25 a.m. First Thing. 1.20 p.m. Grampian News Headlines. 3.50 Survival. 6.00 Grampian Today. 6.30 Police Newsroom. 8.00 Rafferty. 11.30 Reflections. 11.35 An Audience with Jasper Carrott.

GRANADA

1.20 p.m. This Is Your Right. 5.10 This Is Your Right. 5.15 Crossroads. 6.00 Granada Reports. 6.30 Mr. and Mrs. 8.00 Rafferty. 11.30 Gibbsville.

HTV

1.20 p.m. Report West Headlines. 1.25 Report Wales Headlines. 2.00 Houseparty. 5.15 Betty Boop. 5.20 Crossroads. 6.00 Report West. 6.15 Report Wales. 6.30 Havoc. 8.00 Rafferty. 11.30 Man and Woman. 12.05 The Practice.

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 p.m. Penawdau Newyddion y Dydd. 4.20 Miri Mawr. 4.45 Un Tro. 6.00-6.15 Y Dydd. 8.00-9.00 Daily Express Welsh Nurse of the Year Final.

HTV West—As HTV General Service except: 1.20-1.30 p.m. Report West Headlines. 6.00-6.30 Report West.

SCOTTISH

1.25 p.m. News, road and weather reports. 2.00 Women Only. 3.50 Mr. and Mrs. 5.15 Teatime Tales. 5.20 Crossroads. 6.00 Scotland Today. 6.30 Wilkie on Water. 8.00 Quincy. 10.30 Rush. 11.30 Late Call. 11.40 Pro-Celebrity Snooker.

SOUTHERN

1.20 p.m. Southern News. 2.00 Houseparty. 5.15 Betty Boop. 5.20 Crossroads. 6.00 Day by Day. 11.30 Southern News Extra. 11.40 The Butlin's Grand Masters Darts Championship. 12.10 a.m. Today Mexico, Tomorrow the World.

TYNE TEES

9.25 a.m. The Good Word, followed by North East News Headlines. 1.20 p.m. North East News and Lookaround. 2.00 Women Only. 5.15 Happy Days. 6.00 Northern Life. 8.00 Rafferty. 11.30 Landscape. 12.00 Epilogue.

ULSTER

1.20 p.m. Lunchtime. 4.18 Ulster News Headlines. 5.15 Solo One. 6.00 Ulster News. 6.05 Crossroads. 6.30 Reports. 8.00 Rafferty. 11.30 Homes in our Blood. 11.55 Bedtime.

WESTWARD

12.27 p.m. Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 6.00 Westward Diary. 8.00 Rafferty. 10.28 Westward Late News. 11.30 Survival Special. 12.25 a.m. Faith for Life.

YORKSHIRE

1.20 p.m. Calendar. 5.15 Mr. and Mrs. 6.00 Calendar. 8.00 Rafferty. 11.30 Darts.

RADIO 1 247m

(S.) Stereophonic broadcast

5.00 a.m. As Radio 2. 7.02 Noel Edmonds. 9.00 Simon Bates. 11.31 Paul Burnett including 12.30 p.m. Newsbeat. 2.00 Tony Blackburn. 4.31 Kid Jensen, including 5.30 Newsbeat. 7.00 Girl Talk. 7.30 Listen to the Band (S) (joins Radio 2). 10.02 John Peel (S). 12.00-2.02 a.m. As Radio 2.

RADIO 2 1,500m and VHF

5.00 a.m. News. 5.02 Ray Moore with The Early Show (S) including 6.15 Pause for Thought. 7.32 Terry Wogan (S) including 8.27 Racing Bulletin, 8.45 Pause for Thought. 10.02 Jimmy Young (S). 12.15 p.m. Waggoners' Walk. 12.30 Pete Murray's Open House (S) including 1.45 Sports Desk. 2.30 David Hamilton (S) including 2.45 and 3.45 Sports Desk. 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.47 John Dunn (S) including 5.45 Sports Desk. 6.40 A Party Political Broadcast by the Labour Party. 6.45 Sports Desk. 7.02 Sing Something Simple (S). 7.30 Listen to the Band (S). 8.15 Semprini Serenade (S). 9.02 Portrait of Piaf. 9.55 Sports Desk. 10.02 I'm Sorry I'll Read That Again. 10.30 Hubert Gregg says Thanks for the Memory. 11.02 Brian Matthew introduces Round Midnight, including 12.00 News, weather, motoring information. 2.00-2.02 a.m. News Summary.

RADIO 3 464m, Stereo & VHF

†Medium Wave only

†6.55 a.m. Weather. 7.00 News. 7.05 Your Midweek Choice, Croft, Bach, Handel (S). 8.00 News. 8.05 Your Midweek Choice: Mendelssohn, Liszt (S). 9.00 News. 9.05 This Week's Composers: Obrecht and De La Rue (S). 9.35 Music for Organ (S). 10.15 Song Recital (S). 11.05 Scottish National Orchestra Concert: Part 1 Brahms (S). 11.50 In Short. 12.00 Concert, part 2: Cherubini (S). 1.00 p.m. News. 1.05 Concert Hall (S). 2.00 Haydn String Quartets (S). 3.10 Less Familiar Beethoven (S). (3.35-3.45 Interval Reading.) 4.40 Building a record Library (S). †5.45 Homeward Bound. †6.05 News. †6.10 Homeward Bound. 6.30 Lifelines. 7.30 La Traviata: Act 1 (S). 8.05 The Arts Worldwide. 8.25 La Traviata, Act 2 (S). 9.35 Illustrated talk by Julian Budden. 9.50 La Traviata: Act 3. 10.30 Mind: Chance or Necessity? 11.20 Robert Saxton: Concert (S). 11.40 News. 11.45-11.50 Tonight's Schubert Song (S).

Radio 3 VHF only—6.00-7.00 a.m. and 5.45-7.30 p.m. Open University.

RADIO 4

434m, 330m, 285m and VHF

6.15 a.m. News. 6.17 Farming Today. 6.35 Up to the Hour. 7.00 News. 7.10 Today. 7.35 Up to the Hour. 8.00 News. 8.10 Today. 8.35 Yesterday in Parliament. 9.00 News. 9.05 The Living World. 9.35 Songbook. 10.00 News. 10.05 In Britain Now. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Ethiopian Witness. 11.50 Vikings, Scots and Scraelings. 12.00 News. 12.02 p.m. You and Yours. 12.27 The Enchanting World of Hinge and Bracket. 12.55 Weather and programme news. 1.00 The World at One. 1.30 The Archers. 1.45 Woman's Hour including 2.00-2.02 News. 2.45 Listen with Mother. 3.00 News. 3.05 Afternoon Theatre. 3.50 Choral Evensong. 4.35 Story Time. 5.00 PM Reports. 5.40 Serendipity. 5.55 Weather and programme news. 6.00 News. 6.30 Quote . . . Unquote (S). 7.00 News. 7.05 The Archers. 7.20 File on 4. 8.00 The Beautiful Garden (S). 9.00 Science Now. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Frank Muir Goes Into . . . Books. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News, weather followed by interlude. 12.20-12.23 a.m. Inshore Forecast.

BBC Radio London

206m and 94.9 VHF

5.00 a.m. As Radio 2. 6.30 Rush Hour. 9.00 Noughts and Crosses. 9.20 London Live. 11.03 In Town. 12.03 p.m. Call In, including 1.00 London News Desk. 2.03 206 Showcase. 4.03 Home Run, including London News Desk. 6.10 Look, Stop, Listen. 7.30 In Town. 8.30 In Concert. 10.03 Late Night London. 12.00 As Radio 2. 12.05 a.m. Question Time from the House of Commons. 1.00—Close: As Radio 2.

London Broadcasting

261m and 97.3 VHF

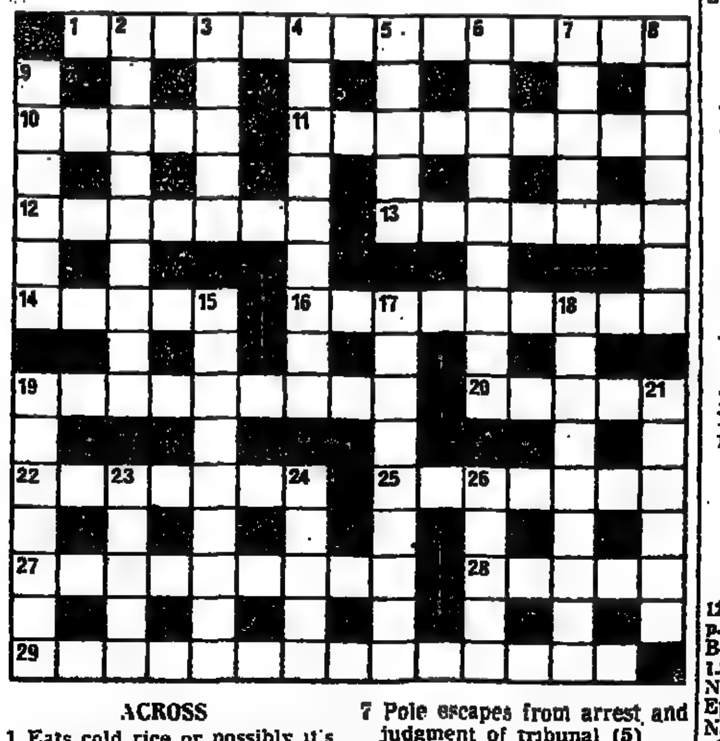
5.00 a.m. Morning Music. 6.00 A.M. 10.00 Brian Hayes' phone-in. 1.00 p.m. LBC Reports including 3.00-4.00 George Gale's 3 O'clock Call. 8.00 After Eight. 9.00 Nightline. 1.00-5.00 a.m. Night-Extra.

Capital Radio

194m and 95.8 VHF

6.00 a.m. Graham Dene's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Dave Cash (S). 3.00 p.m. Roger Scott (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Your Mother Wouldn't Like It with Nicky Horne (S). 11.00 Tony Myatt's Late Show (S). 2.00 a.m. Duncan Johnson's Night Flight (S).

F.T. CROSSWORD PUZZLE No. 3,652



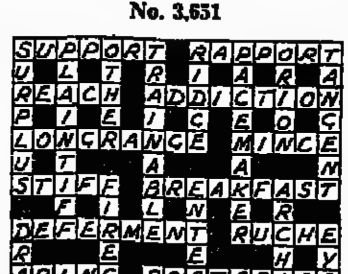
ACROSS

1 Eats cold rice or possibly it's hypocritical grief (9, 5)
10 Brown colour obtained from soft one in the main (5)
11 One who records unusual tiger's roar with no love (9)
12 Made electrical connection to receiver with the end of cord (7)
13 Beats beat for sailor's reel (7)
14 Music from south side of stage (5)
16 Leave the sick inside to sway to and fro (9)
19 Follow and grab part of vicar's attire (3-6)
20 Sharp part from both or neither (5)
22 Builder provided by eastern clergyman (7)
25 Take out former pamphlet (7)
27 Teetotal but not present to accept money (9)
28 To bring up soldiers is easy initially (5)
29 Stop and grasp each article (4, 10)

DOWN

2 Supplying news about wine in Greek capital (9)
3 Meet in opposition for a pound in ready money (5)
4 Rash fellow risked harm (4-5)
5 Firewood I start collecting shows good reasoning (5)
6 Skilled flier has to try drug I left inside (4, 5)
7 Pole escapes from arrest and judgment of tribunal (5)
8 Unusual way to mountains (7)
9 Estimate the value of animals going to the south (6)
15 Note on landlord and his kind could be spooky (5-4)
17 What joiners do when fish is on the way in (9)
18 Worship a party getting an allowance (9)
19 Where one may change colour when upset by death (3-4)
21 How men tug for spice (6)
23 Art supporter has to move slowly to the left (5)
24 Bird always turning up about the end of June (5)
26 Large candle in church at bottom of hill (5)

SOLUTION TO PUZZLE No. 3,651



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ENTERTAINMENT GUIDE

CC—These theatres accept certain credit cards by telephone or at the box office.

OPERA & BALLET

COLISEUM. Credit cards 01-240 5258. Reservations 01-836 3161. ENGLISH NATIONAL OPERA. Tonight & Sat. 7.30 La Traviata: Tomor. 7.30 Julietta (final perf.). "Haunting atmosphere" E. News. "Smoothly and sweetly textured, full of gentle accessible melody" D. Mail. ". . . a dream . . . a most unusual and memorable operatic evening" Yorks Post. Fri. 7.00 Carmen. 104 balcony seats always available day of performance.

COVENT GARDEN. CC 240 1066. (Gardencharge credit cards 836 6903). THE ROYAL OPERA. Tomor. 7.30 Der Freischutz. Fri. & Mon. 7.00 Le nozze di Figaro. Sat. and Tues. 7.00 Otello. 65 Amphi' Seats for all perfs on sale from 10 a.m. on day of perf.

SADLER'S WELLS THEATRE. Rosebery Ave., E.C.1. 837 1672. Until 13 May. SADLER'S WELLS ROYAL BALLET. Evgs. 7.30. Sat. mats 2.30. To-nt & Tomor. Les Sylphides, Las Hermanas, La Boutique Fantasque. Fri., Sat., Mon. Solitaire, Giselle.

THEATRES

ADELPHI THEATRE. CC. 01-836 7611. Evgs. 7.30. Mats. Thurs. 3.00. Sats. 4.0. IRENE. THE BEST MUSICAL of 1976, 1977 and 1978! IRENE. "LONDON'S BEST NIGHT OUT." Sunday People. ALREADY SEEN BY NEARLY ONE MILLION HAPPY THEATREGOERS. CREDIT CARD BOOKINGS 836 7611.

ALBERY. 836 3878. Party Rates. Credit card bkgs. 836 1071-2 (from 9 a.m. to 6 p.m.) Mon., Tues., Wed. and Fri. 7.45 p.m. Thurs. and Sat. 4.30 and 8.00. "A THOUSAND TIMES WELCOME IS LIONEL BART'S MIRACULOUS MUSICAL." Financ. Times. OLIVER with ROY HUDD and JOAN TURNER. "CONSIDER YOURSELF LUCKY TO BE ABLE TO SEE IT AGAIN." Daily Mirror.

ALDWYCH. 836 6404. Info. 836 5332. ROYAL SHAKESPEARE COMPANY in repertoire. Tonight 7.30: HENRY VI Part 1. "Breathtaking production." Gdn. With: HENRY VI part 2 (tomor.), Part 3 (Fri.). Sun. 8.0: STEVE BIKO a miserable and lonely death "An evening of sharp illumination." Guardian. All seats £2. RSC also at THE WAREHOUSE (see under W) and at Piccadilly Theatre in Peter Nichols' PRIVATES ON PARADE.

ALMOST FREE. 485 6224. Limited Season Only. Wolf Mankowitz's SAMSON AND DELILAH. N.S. Nightly at 8 p.m. incl. Suns. No show Friday. "Remarkable visual and emotional climax." Times.

AMBASSADORS. 01-836 1171-3212. for 2 weeks only. Evenings at 8.0. Mats. Sats. 3.0. BERIOSOVA, GIELGUD, KELLY, CACIULEANU. STEPS, NOTES AND SQUEAKS.

APOLLO. 01-437 2663. Evenings 8.00. Mats. Thurs. 3.00. Sat. 5.00 and 8.00. DONALD SINDEN. Actor of the Year. E. Std. "IS SUPERB." N.o.W. SHUT YOUR EYES AND THINK OF ENGLAND. "WICKEDLY FUNNY." Times.

ARTS THEATRE. 01-836 2132. TOM STOPPARD'S DIRTY LINEN. "Hilarious . . . see it." Sunday Times. Monday to Thursday 8.30. Friday and Saturday at 7.00 and 9.15.

ASTORIA THEATRE, Charing X Road (with fully licensed Restaurant). 01-734 4291. Nearest Tube Tottenham Ct. Rd. Mon.-Thurs. 8.00 p.m. Fri. and Sat. 6.00 and 8.45. Instant credit card booking. ELVIS. "Infectious appealing, foot-stomping and heart-thumping." Observer. ELVIS. Half hr. before show any available top price tickets £2.50. Mon.-Thurs. and Fri. 6.0 p.m. perf. only. BEST MUSICAL OF THE YEAR. EVENING STANDARD AWARD.

CAMBRIDGE. 836 6056. Mon. to Thurs. 8.0. Fri., Sat. 5.45 and 8.30. IPI TOMBI. Exciting Black African Musical. "It's a foot-stamping, pulsating, action-packed musical." News of the World. THIRD GREAT YEAR. Dinner and top-price seat £8.75 inc.

COMEDY. 01-930 2578. Evening 8.0. Thurs. 3.0. Sat. 5.30, 8.30. MOIRA LISTER, TONY BRITTON, Margaret COURTENAY, Dermot WALSH. THE HIT COMEDY THRILLER. MURDER AMONG FRIENDS. "Blackmail, armed robbery, double bluff and murder." Times. "A good deal of fun." Evening News.

CRITERION. CC. 930 3216. Evenings 8.0. Sats. 5.30, 8.30. Thur. 3.0. LESLIE PHILLIPS. "Impeccable . . . a master." Sun. Times. in SEXTET. SECOND "HILARIOUS" YEAR!

DRURY LANE. 01-836 8108. Every night 8.00. Matinee Wed. and Sat. 3.00. A CHORUS LINE. "A rare, devastating, joyous, astonishing stunner." Sunday Times.

DUCHESS. 836 8243. Mon. to Thurs. Evgs. 8.0. Fri., Sat. 6.15 and 9.0. OH! CALCUTTA! "The Nudity is stunning." Daily Tel. 8th SENSATIONAL YEAR.

DUKE OF YORK'S. 01-836 5122. Evgs. 8.0. Mat. Wed. and Sat. at 5.00. JOHN GIELGUD in Julian Mitchell's HALF-LIFE. A NATIONAL THEATRE PRODUCTION. "Brilliantly witty . . . no one should miss it." Harold Hobson (Drama). Instant credit card reservations. Dinner and top-price seat £7.00.

FORTUNE. 836 2238. Evgs. 8.0. Thurs. 3. Sat. 5.00 and 8.00. Muriel Pavlow as MISS MARPLE in AGATHA CHRISTIE'S MURDER AT THE VICARAGE. Third Great Year.

GARRICK THEATRE. 01-836 4601. Evgs. 8.0. Wed. Mat. 3.0. Sat. 5.15, 8.30. JILL MARTIN, JULIA SUTTON, ERIC FLYNN and ROBIN RAY in the "BRILLIANT MUSICAL ENTERTAINMENT." People. SIDE BY SIDE BY SONDHEIM. "GO TWICE." S. Morley, Punch. "GO THREE TIMES." C. Barnes. NYT. LAST WEEK. ENDS SAT.

GARRICK THEATRE. 01-836 4601. Opens May 1 at 7.0. Sub. 8.0. Sat. 5.30, 8.30. Mat. Wed. 3.0. TIMOTHY WEST, GEMMA JONES, MICHAEL KITCHEN in HAROLD PINTER'S THE HOMECOMING.

GLOBE THEATRE. 01-437 1592. Evgs. 8.15. Wed. 3.0. Sat. 6.0, 8.40. PAUL EDDINGTON, JULIA McKENZIE, BENJAMIN WHITROW in ALAN AYCKBOURN'S New Comedy TEN TIMES TABLE. "This must be the happiest laughter maker in London." D. Tel. "An irresistibly enjoyable evening." Sunday Times.

GREENWICH THEATRE. 858 7755. Evgs. 7.30. Mat. Sat. 3.0. ARMS AND THE MAN. A Comedy by George Bernard Shaw. "Felicity Kendal in her best performance to date." Observer.

HAYMARKET. 01-930 9832. Evgs. 8.00. Mats. Weds. 2.30. Sats. 4.30 and 8.00. INGRID BERGMAN, WENDY HILLER, DEREK GODFREY, DORIS HARE, FRANCIS CUKA in WATERS OF THE MOON. "Ingrid Bergman makes the stage radiate—unassailable charisma." Daily Mail. "Wendy Hiller is superb." Sun. Mirror.

HER MAJESTY'S. CC. 01-930 6606. Evenings 8.00. Mats. Wed. and Sat. 3.00. BRUCE FORSYTH in LESLIE BRICUSSE and ANTHONY NEWLEY'S TRAVELLING MUSIC SHOW with Derek Griffiths. Directed by BURT SHEVELOVE. "It is packed to bursting point with the personality and sheer energy of Bruce Forsyth." Sun. Express. "The audience cheered." Sunday Telegraph.

KING'S ROAD THEATRE. 352 7488. Mon. to Thurs. 9.0. Fri., Sat. 7.30, 9.30. THE ROCKY HORROR SHOW. NOW IN ITS 5th ROCKING YEAR. THE GREAT ROCK 'N' ROLL MUSICAL.

LONDON PALLADIUM. CC. 01-437 7373. FROM MAY 25 to AUG. 19. THE TWO RONNIES. BOOK WITH EASE ON THE NEW EXCLUSIVE TWO RONNIES HOTLINE 01-437 2055.

LONDON PALLADIUM. CC. 01-437 7373. Thurs. 9.0. Until Sat. Ton't. Thur., Fri., Sat. 6.15, 9. LIBERACE IN HIS LAS VEGAS SHOW.

LYRIC THEATRE. CC. 01-437 3686. Evs. 8.0. Mats. Thurs. 3.0. Sat. 5.0 and 8.30. JOAN PLOWRIGHT, COLIN BLAKELEY and PATRICIA HAYES in FILUMENA by Eduardo Filippo. Directed by FRANCO ZEFFIRELLI. "TOTAL TRIUMPH." D. Mirror. "AN EVENT TO TREASURE." D. Mirror. "MAY IT FILL THE LYRIC FOR A HUNDRED YEARS." Sunday Times.

MAY FAIR. CC. 629 3036. Mon. to Fri. 8.0. Sat. 5.30 and 8.45. GORDON CHATER "Brilliant." E.N. in THE ELOCUTION OF BENJAMIN FRANKLIN by Steve J. Spears. "A compassionate funny, fiercely eloquent play." Gdn. "Hilarious." E.Std. "Wickedly amusing." E. News. "Spellbinding." Obs.

MERMAID. 248 7656. Restaurant 248 2835. Tom Conti, Jane Asher in WHOSE LIFE IS IT ANYWAY? THE NEW SMASH HIT ACCLAIMED BY EVERY CRITIC. Evgs. 8.15. Fri. and Sat. 5.15. ALEC McCOWEN'S ST. MARK'S GOSPEL every Sun. until June 11 at 7.30. And Mon. and Tues. from May 16.

NATIONAL THEATRE. 928 2252. OLIVIER (open stage): Ton't. 7.30. Tomor. 2.45 & 7.30 THE COUNTRY WIFE by William Wycherley. LYTTELTON (proscenium stage): Ton't. & Tomor. 7.45 PLENTY a new play by David Hare. COTTESLOE (small auditorium): Ton't. 8. Tomor. 3 & 8 LARK RISE written by Keith Dewhurst from Flora Thompson's book (prom perfs.). Many excellent cheap seats all 3 theatres day of perf. Car park. Restaurant 928 2033. Credit card bkgs. 928 3052.

OLD VIC. 928 7616. PROSPECT AT THE OLD VIC. New season to May 20. TWELFTH NIGHT. Prospect's first comedy at The Old Vic. Today, Thurs., Fri. 7.30. Sat. 2.30 & 7.30. Eileen Atkins as SAINT JOAN returns May 3.

PALACE. Credit Cards. 01-437 6834. Mon.-Thurs. 8.0. Fri., Sat. 6.0 and 8.40. JESUS CHRIST SUPERSTAR.

PHOENIX. 01-836 2294. Evenings 8.15. Friday and Saturday 6.0 and 8.40. "TIM BROOKE-TAYLOR, GRAEME GARDEN makes us laugh." D. Mail in THE UNVARNISHED TRUTH. A New Comedy by ROYCE RYTON. "LAUGH, WHY I THOUGHT I WOULD HAVE DIED." Sun. Times. "WHAT A SCREAM." D. Mir. "THE AUDIENCE HOWLED WITH MIRTH." D.Tel. "SHEER DELIGHT." E. Stand. "GLORIOUS CONTINUOUS LAUGHTER." Times.

PICCADILLY. 437 4506. Credit card bkg. 836 1071-2, 9 a.m.-6 p.m. Evgs. 8.00. Sat. 4.45 and 8.15. Wed. Mat. 3.00. BEST COMEDY OF THE YEAR. Evg. Standard Award and SWET Award. Royal Shakespeare Company in PRIVATES ON PARADE by Peter Nichols. (Not suitable for children) "HUGELY ENTERTAINING EXTRAVAGANZA." S. Times. RSC also at Aldwych & Warehouse.

PRINCE EDWARD. CC. (Formerly Casino). 01-437 6877. Previews from June 12. Opens June 21 EVITA.

PRINCE OF WALES. CC. 01-930 8681. Monday to Friday at 8 p.m. Sat. 5.30 and 8.45. Mat. Thurs. 3.00. "HILARIOUS COMEDY MUSICAL." The Sun. ROBIN ASKWITH in I LOVE MY WIFE. "NAUGHTY BUT NICE WITH A LOT OF LAUGHS." News of the World. CREDIT CARD BOOKINGS 930 0846.

QUEEN'S THEATRE. CC. 01-734 1166. Evenings 8.0. Sat. 5.0 and 8.30. ALEC GUINNESS. BEST ACTOR OF THE YEAR. Variety Club of GB Award. THE OLD COUNTRY. A New Play by ALAN BENNETT. Directed by CLIFFORD WILLIAMS. BEST PLAY OF THE YEAR. Plays and Players London critics award.

RAYMOND REVUEBAR. CC. 01-734 1593. At 7 p.m., 9 p.m., 11 p.m. (Open Suns.) PAUL RAYMOND presents THE FESTIVAL OF EROTICA. Fully Air Conditioned. You may drink and smoke in the auditorium.

ROYAL COURT. 730 1745. Last week. Evgs. 8.00. Sat. 5.00 and 8.30. CLASS ENEMY by Nigel Williams. "Stunning new play." F. Times. "Blazes with life and force." Gdn. See also Theatre Upstairs.

ROYALTY. Credit Cards. 01-405 8004. Monday-Thursday Evenings 8.00. Friday 5.30 and 8.45. Saturdays 3.00 and 8.00. London critics vote BILLY DANIELS in BUBBLING BROWN SUGAR. Best Musical of 1977. Bookings accepted. Major credit cards. Special reduced rates for matinees (for a limited season only).

SAVOY. 01-836 8888. Nightly at 8.00. Mat. Wed. 2.30. Sat. 6.00 and 8.00. PATRICK CARGILL and TONY ANHOLT in SLEUTH. The World-famous Thriller by ANTHONY SHAFFER. "Seeing the play again is, in fact, an utter and total joy." Punch. Transferring to Ambassadors May 9.

SHAFTESBURY. CC. 836 6596. Shaftesbury Ave., WC2 (High Holborn end). Evgs. at 8.00. Mats. Thurs., Sat. 3.00. JOHN REARDON and JOAN DIENER in KISMET. "A SMASH HIT. THIS MUSICAL HAS EVERYTHING." S. Mirror.

SHAW THEATRE. 01-388 1394. Evgs. 7.30. Wed. 2.30. Last Week. CHICKEN SOUP WITH BARLEY by ARNOLD WESKER. "MOVING AND ILLUMINATING." Tms. "ABSOLUTELY MAGNIFICENT." E. News.

STRAND. 01-836 2660. Evenings 8.00. Mat. Thurs. 3.00. Sats. 5.30 and 8.30. NO SEX PLEASE— WE'RE BRITISH. THE WORLD'S GREATEST LAUGHTER MAKER.

STRATFORD-UPON-AVON. Royal Shakespeare Theatre. (0789) 2271. Tickets immediately available for RSC in THE TEMPEST May 1, 2. THE TAMING OF THE SHREW May 3 (mat. and eve.). Recorded booking info. (0789) 69191.

ST. MARTIN'S. CC. 836 1443. Evs. 8.00. Mat. Tues. 2.45. Sats. 5 and 8. AGATHA CHRISTIE'S THE MOUSETRAP. WORLD'S LONGEST-EVER RUN. 26th YEAR.

TALK OF THE TOWN. CC. 734 5051. 8.00. Dining Dancing 9.30 Super Revue RAZZLE DAZZLE and at 11 p.m. MADELINE BELL. From Mon. FRANKIE STEVENS.

THEATRE UPSTAIRS. 01-730 2554. Tuesday-Sunday 7.30. SHARED EXPERIENCE in BLEAK HOUSE by Charles Dickens (in 4 parts. In Repertoire).

VAUDEVILLE. 836 9988. CC. Evs. at 8.0. Mat. Tues. 2.45. Sat. 5 and 8. Dinah SHERIDAN, Dulcie GRAY, Eleanor SUMMERFIELD, James GROUT. A MURDER IS ANNOUNCED. THE NEWEST WHODUNNIT by AGATHA CHRISTIE. "Re-enter Agatha with another whodunnit hit. Agatha Christie is stalking the West End yet again with another of her fiendishly ingenious murder mysteries." Felix Barker. Evening News.

VICTORIA PALACE. Ton't. 7.30. ROYAL GALA PREVIEW. "Annie." Few tickets at £6.00, £4.00 and £3.00.

VICTORIA PALACE. 01-834 1317. STRATFORD JOHNS, SHEILA HANCOCK. ANNIE. A NEW MUSICAL. BROADWAY'S BIGGEST HIT. Prevs. Evgs. 7.30 (some seats still available). Opens May 3. 7. Sub. Evgs. 7.30. Mat. Wed. and Sat. 2.45.

WAREHOUSE. Donmar Theatre. Covent Garden. 836 6808. Royal Shakespeare Company. Today 2.30 and 8.00: John Ford's 'TIS PITY SHE'S A WHORE (sold out). Adv. Bkgs. Aldwych.

WESTMINSTER. 01-834 0283. SENTENCED TO LIFE by Malcolm Muggeridge & Alan Thornhill. Previews from May 9. Opens May 16.

WHITEHALL. 01-930 6692-7765. Evgs. 8.30. Fri. and Sat. 6.45 and 9.00. Paul Raymond presents the Sensational Sex Revue of the Century DEEP THROAT. Due to overwhelming public demand season extended.

WINDMILL THEATRE. CC. 437 6312. Twice Nightly 8.00 and 10.00. OPEN SUNDAYS 6.00 and 8.00. PAUL RAYMOND presents RIP OFF. THE EROTIC EXPERIENCE OF THE MODERN ERA. "Takes to unprecedented limits what is permissible on our stages." Evg. News. You may drink and smoke in the auditorium.

WYNDHAM'S. 836 3028. Credit card bkgs. 836 1071-2 from 9 a.m.-2 p.m. Mon.-Thurs. 8. Fri. & Sat. 5.15 & 8.30. "ENORMOUSLY RICH VERY FUNNY." Evening News. Mary O'Malley's smash-hit Comedy ONCE A CATHOLIC. "Supreme comedy on sex and religion." Daily Telegraph. "MAKES YOU SHAKE WITH LAUGHTER." Guardian.

YOUNG VIC (near Old Vic). 928 6363. Tonight 7.45. Mat. tomor. at 2. Royal Shakespeare Company in MACBETH. (This week sold out, any returns on door.)

CINEMAS

ABC 1 & 2, Shaftesbury Ave. 836 8861. Sep. Perfs. ALL SEATS BKBLE. 1: THE GOODBYE GIRL (A). Wk. & Sun. 2.00, 5.10, 8.10. 2: SWEENEY 2 (AA). Wk. & Sun. 2.00, 5.10, 8.10.

CAMDEN PLAZA (opp. Camden Town Tube). 485 2443. Melville's classic Resistance thriller THE ARMY IN THE SHADOWS (AA). 3.10, 5.45, 8.25.

CLASSIC 1, 2, 3, 4, Oxford St. (opp. Tottenham Court Rd. tube). 636 0310. 1. Bertolucci's 1900 Part 1 (X). Progs. 2.15, 5.15, 8.15. 2. John Thaw, Dennis Waterman SWEENEY 2 (AA). CHARIOTS OF THE GODS (U). Progs. 2.0, 4.55, 7.55. 3. Final Day! THE HIDING PLACE (A). Sep. perfs. 2.00, 5.00, 8.00. 4. Bertolucci's 1900 Part 2 (X). Progs. 2.30, 5.20, 8.15.

CURZON, Curzon Street, W.1. 499 3737. PARDON MON AFFAIRE (X). (English sub-titles). "A sparkling New French Comedy. Directed with finesse by Yves Robert." S. Express. Progs. 1.50 (not Sun.), 3.35, 6.10, 8.30 (4th Month!)

LEICESTER SQUARE THEATRE (930 5252). Shirley MacLaine, Anne Bancroft, Mikhail Baryshnikov in a Herbert Ross Film THE TURNING POINT (A). Progs. Wk. 1.05, 4.30, 8.10.

ODEON HAYMARKET. (930 2738-2771). Jane Fonda, Vanessa Redgrave in a Fred Zinnemann film JULIA (A). Sep. Progs. Dly. 2.30, 5.45, 8.45. Feature Dly. 2.45, 6.00, 9.00. All seats bkble. at Theatre.

ODEON LEICESTER SQUARE (930 6111). CLOSE ENCOUNTERS OF THE THIRD KIND (A). Sep. progs. Dly. Doors open 10.00 (not Sun.), 1.05, 4.15, 7.45. Late perfs. Tues.-Sat. Doors open 11.15 p.m. All seats may be booked except 10 a.m. programme.

ODEON MARBLE ARCH. (723 2011-2). STAR WARS (U). Doors open Dly. 1.30, 4.35, 7.50. All seats bkble. except 1.30 performance weekdays.

PRINCE CHARLES, Leic. Sq. 437 8181. SWEPT AWAY (X). Sep. Perfs. Dly. (inc. Sun.) 2.10, 6.25, 8.40. Late show Sat. 11.55. Seats bkble. Licensed Bar.

SCENE 1 AND 2, Leic. Sq. (Wardour St.) 439 4470. 1. Woody Allen's EVERYTHING YOU ALWAYS WANTED TO KNOW ABOUT SEX (X). 2.50, 6.00, 9.15. BANANAS (AA). 1.15, 4.25, 7.40. Late show Fri. and Sat. 10.55. 2. THE PINK PANTHER STRIKES AGAIN (U). Sun.-Thur. 1.30, 5.35, 9.35. Fri. and Sat. 12.40, 4.45, 8.45, 12.45. THE RETURN OF THE PINK PANTHER (U). Sun.-Thur. 3.25, 7.30. Fri. and Sat. 2.35, 6.40, 10.40.

STUDIO 1, 2, 3, 4, Oxford Circus. 437 3300. 1. THE MAN WITH THE GOLDEN GUN (A). 3.40, 8.10. LIVE AND LET DIE (A). 1.30, 5.55. Late show Sat. 10.45. 2. THE GOODBYE GIRL (A). Progs. 12.45, 2.45, 5.25, 8.05. Late show Sat. 10.45. 3. ANOTHER MAN, ANOTHER WOMAN (AA). Progs. 12.35, 2.55, 5.30, 8.10. Late show Sat. 10.50. 4. Woody Allen-Diane Keaton. Double Bill SLEEPER (A). 2.35, 5.50, 9.05. LOVE AND DEATH (A). 1.00, 4.15, 7.30. Late show Sat. 10.40.

MOTOR CARS

The Management Page

EDITED BY CHRISTOPHER LORENZ

Tapping hidden talents

BY JASON CRISP

JOHN WHITFIELD has just been appointed manufacturing manager of the printed circuit board division at Plessey in Poole. The rest of the factory, which employs over 2,000 people, is dependent on this relatively small division for the supply of all its circuit boards for the manufacture of a wide range of products, from telephone exchanges to traffic light controls. So it is a particularly key division. Yet Plessey has just appointed a man with no experience in manufacturing management.

Not only will the senior management be watching Whitfield's progress with a very close eye, but so will the Engineering Industry Training Board, which has been responsible for preparing him for the task.

He is one of 15 young engineers who are two-thirds of the way through the EITB's first batch of fellowships in manufacturing management. Whitfield's fellowship still has nearly six months to run, but his new job—providing he is up to the task—is a permanent one.

The fellowships came into being following the EITB's realisation that manufacturing industry was not attracting the brainpower it badly needed in management. Manufacturing managers have usually come up the hard way from the shopfloor, having joined as apprentices or after national certificate.

This did not matter until the scope for higher education was increased, since when, according to the EITB, the better people have been creamed off into university—where they receive little encouragement to go into manufacturing industry. Eric Huggins, senior tutor for the fellowships says: "In the universities, manufacturing is a dirty word. Academics will encourage even engineering graduates to go into research and development rather than manufacturing. The good intake has dried up."

So the Board realised that there was a pool of talent residing in research, development and design departments which could be tapped. But the problem for anyone inclined to make the transfer was how to get a job of similar status without a proven track record in manufacturing management. The fellowships are the EITB's way of helping young engineers bridge the gap and to show that it is possible.

When the fellowships were first advertised, the EITB attracted over 1,000 inquiries, which resulted in 200 appplications. The fellowships are open to engineering graduates aged between 25 and 32 with at least three years' experience in the engineering industry, probably in R and D or design. On the 18 month course the fellows are paid £5,000 a year either by their sponsoring company—like John Whitfield—or, if they do not have one, by the EITB itself. In the first year's intake two thirds of the fellows were sponsored and by the second year, just starting, the figure has risen to 85 per cent.

The growing shortage of gifted managers in industry has prompted a training board to introduce special fellowships to help bright young engineers cope with the rigours of *manufacturing management.*

Peter Shorrock, one of the EITB's senior officials, says that the rigorous selection procedure was not intended to single out academic brilliance, but leadership abilities, or "belly," as he likes to put it euphemistically. As it happened the final 15 all had top degrees anyway.

For the first six months the fellows are put through an intensive general course at Cranfield Institute of Technology. Shorrock and Huggins felt that six months was about the longest they could take anybody away from industry.

Even so, they emphasise the practical bent of the course and describe it as being, "about as unacademic as it is possible to be in an academic environment."

The course concentrates on a wide range of subjects and involves practical project work and company visits. The fellows live in at Cranfield, often working in the evenings and at weekends.

Subjects include management accounts, industrial relations and law, organisation, project planning, production planning and control, and motivation. The emphasis is always as practical as possible.

After a six-week break with a vacation study project, the fellows return briefly to Cranfield before setting out on the major practical side of the fellowship, gaining their "track record."

And it is here that the EITB has faced its greatest problem — persuading companies to allow fellows into a real job where they make real decisions, and are not tagged on to some other manager who will treat them as a millstone. About half of the first year's sponsored fellows worked in their own companies, while the other half have moved into different ones in order to gain wider experience.

Somewhat reluctantly, the EITB staff do admit that not all the projects are proving a success. They say that about half are going very well with the fellows gaining real management experience. Of those that are not so successful the blame, according to Shorrock, lies evenly between the fellows, the company managements or the fact that the project was unsuitable.

The EITB officials say they will be spending much more time auditing projects and the ability of companies to provide the right training.

John Whitfield's project at Plessey is certainly one of the better ones. Before he took the fellowship he had been a group leader in design and development at Poole. He decided he should try to move into general management because the horizons looked decidedly broader and at 34 he is the oldest fellow. The first five months of his project at Poole were spent investigating the long lead times of certain "bespoke" electronic equipment.

He has just completed this task, culminating in a presentation to the managing director of Plessey in Poole, with proposals for reducing the lead time by 20 per cent. Whitfield says he has "learned one hell of a lot." His approach was similar to that of an outside management consultant and involved the detailed study of the manufacturing process, from sale through design, right through to delivery for one-off products.

At the beginning of April, in the final phase of his fellowship, he became manufacturing manager of the printed circuit board division, which has been something of a problem post in the past. While it only employs 33 people its essential character within Plessey, as supplier of circuit boards, to other divisions, is obvious.

John Whitfield (left)—one of the training Board's first batch of fellows. He's just been given the job of manufacturing manager of the printed circuit board division at Plessey.

Gordon McDonnell, who is now both Whitfield's tutor and boss agrees that the new job is a big responsibility: "He's either going to make it or fall flat on his back . . . we will know within a couple of months, but I am certain John's going to make the grade."

Both Huggins and Shorrock at the EITB make it clear that they see the scheme as a catalyst. Clearly the fellowships will be very useful to the people involved each year, but the impact on industry is going to be very minimal. Their success will really be measured by the extent to which many other companies develop similar programmes of their own. But even if companies are willing to provide the right sort of training there is still the problem of making a career in manufacturing management attractive. As McDonnell says: "My private view is that there are just not enough people interested in manufacturing as a career . . . it is a hell of a grind."

PENSIONS and BENEFITS

Getting the right protection abroad

BY ERIC SHORT

THE TRADING world is becoming increasingly competitive. More companies are having to send more employees abroad in search of business, and also, of course to carry out existing contracts. British nationals now often have to spend some time in areas that have poor hospitals and medical facilities.

Apart from the need—some would say duty—to look after employees overseas, the company needs to protect itself against the financial loss it would suffer if anything unforeseen happens to a key man or woman.

Travel insurance has been available for many years, but the usual type of contract is designed primarily for holidays. The needs of the businessman have not usually been fully catered for in such contracts. But recently Royal Insurance launched a new form of business travel insurance aimed at providing the complete protection needed by the employee and his company.

The cover includes the normal travel insurance requirements—personal accident, loss of flight or hotel deposits and baggage and medical expenses if the individual is taken ill or suffers an accident while overseas. This latter feature is important, since there are still many countries without a reciprocal agreement with the U.K. on National Health facilities; where there is an agreement, its practical use is limited. But Royal has added a new form of protection, the personal emergency service.

This will meet the cost of travel and accommodation of a relative and/or business associate to attend the bedside of a seriously disabled employee. It will repay the costs of repatriation under medical escort of the disabled employee.

To protect the company from loss, the cover includes the cost of travel and accommodation of a replacement to fulfil the original employee's assignment.

The policy allows for maximum flexibility on the number of employees covered. A deposit premium is paid at the start of the policy year and adjusted periodically, according to the number of employees covered in the period.

Where U.K. expatriates are working overseas for longer periods, employers need to provide accident and sickness cover not only for employees, but also for their families as well, if they have accompanied him or her. The Norwich Union has been active in this area, particularly with building and civil engineering companies.

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Compulsory purchase

Our business is being closed down, because of a compulsory purchase order on the premises. The two directors hold all the shares in the company. Presumably we shall be able to claim against tax for loss of office for the directors and redundancy for the workers. Would it be better to wait for the youngest director who is just 59 to reach the age of 60 for capital gains tax purposes, before liquidating?

Statutory redundancy payments to the employees will be deductible in calculating the company's profits for corporation tax purposes (subject to the 41 per cent. rebate from the Redundancy Fund), but any payments beyond the statutory figures are unlikely to be eligible for corporation tax relief, since the company is ceasing to trade. It is most unlikely that any provision for the two directors will be eligible for corporation tax relief, since they are the owners of the company's entire share capital.

It is not wise to delay liquidation long after the cessation of the company's trade. Under the terms of the concession announced by the Inland Revenue in August 1976, CGT retirement relief is only given in respect of liquidation distributions made within three years of the cessation of trade and, in any event, the relief is based on the age of each shareholder at the date the trade ceased.

Property dealing

Two of us are directors of a private property dealing company, which has bought a house which we hope to sell later, at a profit, to offset against an earlier agreed loss. The rent of the property is thus incidental to the main purpose. We have done a lot of work on the house ourselves, so can we claim that part of the directors' fee from the rent can be counted as earned income?

The previous dealing which resulted in a loss was funded by a loan from us to the company. Could we therefore repay the rent to ourselves tax free as repayments to loan account?

As you say that it is a property-dealing company (as distinct from a property-holding company), the eventual sale of the house will presumably give rise to schedule D case I profit, not a capital gain; we take it that the agreed loss in question is a property-dealing case I loss, carried forward under section 177 (1) of the Income and Corporation Taxes Act 1970.

Directors' fees are in fact earned income, as defined in section 530 (1) of the Taxes Act, and justifiable remuneration should be allowable in the company's schedule D corporation tax computations (subject to section 130 of the Taxes Act).

There are many pitfalls for the unwary in the scheme of taxation of close companies—for example, the repayment of a loan can produce a tax liability in some circumstances. You appear to know so little of the basic rules that we urge you to have a long talk with the company's accountants fairly soon.

Although it is designed for private landlords, not companies, you may like to read the Inland Revenue 38-page booklet on the taxation of income from rented property, which is obtainable (free) from most tax inspectors' offices; you should ask for leaflet IR27.

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No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

The case for sharing the burden of unemployment

BY DAVID EVERSLEY

> "In Germany the first overt discussions about shortening the working day, the working week, the working year and the working life, without proportionate income compensation, are now taking place. It is time for a similar debate in Britain."

AT FIRST sight, discussions about unemployment policies in Germany may seem to have little relevance for Britain. In the Federal Republic, incomes may be growing more slowly than before, but they still grow faster than they have done in the U.K. for many years. The Germans' share of the world's export trade is still rising even in a recession. They have a large balance of payments surplus on current account. Since the late 1960s, they have reduced the number of foreign "guest workers" by nearly 1m., avoiding at least one possible cause of rising unemployment.

On a comparable statistical basis, their percentage of unemployed is probably half ours, yet it still means well over 1m. out of work. In the U.K., we have 1½m. by our methods of measurement, and thanks to some energetic short-term measures by the present Government, the figure appears stable or even shows a tendency to decline. Yet when the Department of Applied Economics in Cambridge bases its policy recommendations on over 4m. unemployed in the medium term, they are berated for their prescriptions, not for their forecast of rising percentages out of work.

In the U.K., we expect a slackening of the demand for labour largely because of the failure to maintain effective demand at home, and our shrinking share of the world's export markets. We also expect some loss of workplaces through rationalisation and automation: in other words, a rise in productivity. The Germans on the whole do not believe that their growth rates, and their share of export markets, will be the major cause of unemployment. But they do expect their high rate of investment in productivity to lead, if not to large-scale redundancies, then at least to a lack of demand for new entrants. This applies not only in their manufacturing sector, but also in service industries. In the U.K., we tend to be conditional about this, if industry begins to invest at the "proper" level, this may lead to a short-term fall in the demand for some kinds of labour, but the longer-term benefits will compensate for this loss, including higher real incomes and more spending power, and the ability of Government to increase its expenditure.

If these were the only factors, the Germans would expect some increased unemployment, and we would expect rather more. But there is another common factor. This is the demographic development of the workforce (and there is nothing speculative about this: those concerned are already born, and migration cannot affect the basic arithmetic). In Germany, as in the U.K., there will be by the early 1980s a very much larger entry into the labour force than at present. There, as in the U.K., the years 1960-64 saw record numbers of births: given the longer full-time average education process in Germany, they expect maximum entry about 1980-82, and then a slow decline.

In Britain, the maximum may be reached a year or two earlier. However, those who leave the workforce on retirement are steadily becoming fewer in both countries. Not only were those due to retire in the 1980s members of smaller generations than the survivors of the much heavier "crops" of the early years of the century who retire now, but World War II took a much heavier toll of those born after 1920 in Germany than in the U.K. Both countries have a "demographic labour gap" coming up, but it is worse in the Federal Republic than here. Other things being equal, this effect could mean 1m. extra unemployed in the U.K. and about 1½m. in Germany. So both countries face the certainty of extra difficulties. And in both countries, hopes of dealing with the situation by conventional Keynesian techniques, or even by the complex reflation tactics now being hatched out, are fading steadily.

And as fewer and fewer people believe that full employment and continuously rising living standards will return, so the conspiracy of silence is slowly being broken. The young generation's lack of confidence may (and you can hardly blame them), on current American hypothesis, be the main reason for the fall in marriage and fertility rates, which is common to all countries, with Germany and the U.K. in the lead. In the long run, the women's wage will have to make up the joint household incomes and this aggravates the unemployment problem; children are too expensive, and by the 1990s both countries will reap the "benefit" of fewer labour force entrants. But other side-effects apart, this is no solution.

In Germany, we have now the first overt discussions about shortening the working day, the working week, the working year and the working life, *without* proportionate income compensation. The unions have always favoured fewer hours, provided real incomes remained the same, or rose as a means of spreading employment opportunities. Employers have been less enthusiastic: overheads remain the same, and labour costs rise. Thus, industry, and most economists, prefer unemployment to load-spreading.

In Germany, given the much better earnings-related unemployment benefits, losing one's job is not quite such a tragedy as it is in the U.K. However, the fact that unemployment is degrading, and long-term unemployment totally destructive, is beginning to sink in. And so the new packages are being discussed: no overtime, longer annual holidays, 30-hour weeks, two-shift working in offices, even a three or four-day week. Much of this has been discussed in the U.K. as a short-term measure, but never as a long-term solution, and always in terms of maintenance of incomes for those whose working hours were cut. Better to have 15 per cent. of the workforce unemployed, we say, and living at half the national average living standard, than 3 per cent. unemployed and 97 per cent. drawing 10 per cent. less, in real terms, than they would if they were all working (knowing that many of them would not in fact work).

In an analysis of the long-term prospects, Dr. Christine Foeppl, a well-known Bavarian economist and journalist, has now put the dilemma to the unions, the employers and the politicians. (*Die Vollbeschaeftigungsformel* [The Full Employment Formula], Fischer paperback, 1978.)

She is outspoken about the reasons why most people instinctively reject any worksharing formula as "uneconomic," "anachronistic," even "socialistic." So her argument is partly based on a complex analysis designed to show that even from the point of view of long-term economic growth or at least stability, work-sharing makes sense. However, in the last analysis, her appeal is humanistic: the price which society would pay for its economic survival by totally demoralising both the young and the old is too high. She fears less idealistically, and probably rightly, that increasing unemployment among the younger graduates (far worse there than here) will increase political tension; another good reason for not following the narrow prescriptions of the growth economists.

Putting together the German discussion, and the analysis of our own experts outside Government, there seems to be no escape from the problem either in an economy which may seem to us to be still fairly healthy, or our own. It is unlikely that anything will be done in the short run. But at least the discussion ought to start. Dr. Foeppl sets out alternative ways of doing what is required: some are rejected as impracticable or irrelevant (like giving women a year off when they have children). Perhaps we ought to perform similar calculations here, and test the reaction of unions and employers. The Germans no longer hope the spectre will go away: we have even less reason for optimism. But perhaps the ability to discuss such matters freely grows in inverse proportion to their urgency.

David Eversley is a senior research fellow at the Policy Studies Institute.

Television

An ABC of children's programmes

by CHRIS DUNKLEY

Here are six quotations taken from television during the last fortnight:

"Co smashin', right, and now tim fer are hot box situation."

"This drink is sensitised. It tells me you need rest. And nerishment. And relief from inner tension."

"It's a loovely feeling is that and I bet Prince Andrew is right royally chuffed."

"Rart we've got soompn vurry special for you. Four kids coom 'ere we're g'ner 'ave a look 'n' see there's noothin' oonderneath ... thar 'overcraft over thür. . . ."

"He leans on a stone, feels a little bo(u)lder, and goes across to the vig caveman whose name is Grotto. It's his cave, see . . . Do you know where a general keeps his armies? Up his sleevies."

"No one shall take his life but me. I shall flay the skin from his living body and wear it about me like a cloak."

Anyone able to identify the parts in that little collection obviously has young children and spends a lot of time at home in the daytime because they are taken, in order, from: *Cheggers Plays Pop* (BBC), *Logan's Run* (ITV), *Blute Peter* (BBC), *Runaround* (ITV), *Think Of A Number* (BBC), and *The Feathered Serpent* (ITV).

Free-falling John Noakes of "Blue Peter"

They point up a number of facts about what has been happening in children's television since it last occupied the whole of this column 15 months ago. Taking the last quote first for instance, the amount of really nauseating violence scarcely seems to have diminished.

Thames Television and the *Independent Broadcasting Authority* are evidently perfectly content to aim the sort of verbal obscenities quoted above at a target audience of young schoolchildren. It would be fascinating to know what IBA director-general Sir Brian Young or *Feathered Serpent* producer Vic Hughes would say to the insistent six-year-old asking "What does flaying skin from a living body *mean*? And how do you make a cloak from it? And why?"

The Logan's Run excerpt represents American content and my general impression, without using a stopwatch, is that this remains pretty constant too. The BBC runs at least four American cartoon series (*Bailey's Comets*, *Dastardly and Muttley*, *Scooby Doo* and another Hanna-Barbera series that is new to me, *Laff-a-Lympics*) and the verbal content of these is presumably incomprehensible to most British children. "Trick or treat," "strike two" and "rat fink" — which all cropped up within a few minutes in last week's *Laff-a-Lympics*— are familiar neither as phrases nor as concepts to British children.

However, since the birth of Mickey Mouse twas ever thus and quite a large proportion of children's television continues, for good or ill, much as ever: another generation of toddlers (perhaps the best served minority in the entire national audience) is singing along and shaking its tins of buttons with *Play School*; and *Champion The Wonder Horse* is still rearing up on his hind legs and frightening monochrome villains. As usual last week he galloped over and did this as soon as the baddy's gun ran out: can Champion count up to six?

Moreover several of the series which seem to run for ever are not just good of their sort or good by children's standards, but better than almost anything else on television. If forced to keep just one of BBC 1's magazine programmes, for example, there would be no difficulty in deciding to drop *Nationwide* but which would you choose between *Tonight and Blue Peter*?

It was the inimitable John Noakes (who now shares the presentation of *BP* with just Lesley Judd since Peter Purves left for the new BBC 1 children's sports series *Stopwatch*) who delivered the Prince Andrew quote above as an introduction to BP's film of Noakes' own two-mile high free fall with the RAF's Falcons parachute team last week.

There are very few regular programmes of which you can say that they are always enthusiastic, but never frantic for the sake of effect; always sane, but never boring; forever revealing the unusual without descending to the contrived; never malicious; never violent; and never condescending. Yet you can say all that and a lot more about *Blue Peter*. Noakes, Judd and producer Biddy Baxter fully deserve all the awards and plaudits that they win.

And in *Take Hart* the BBC has a series which habitually exploits television just as though it weren't second-rate cinema, second-hand theatre or second-division literature. Would that there was a single series for adults which used stop-motion photography, music, electronic effects such as chromakey, and all of television's other capabilities with as much imagination as Tony Hart and his director and producer Christopher Pilkington and Patrick Dowling do. (Incidentally the sooner we get a whole series devoted to the marvellous Plasticine man, Morph, with the Peruvian flute voice, the better.)

Though the title of *Take Hart* may be new, the concept is, of course, broadly that of the old *Vision On* but with two or three fewer presenters.

In brief, then, much of children's television goes on as it has for years and some of it is outstandingly good. However, there is also a growing body of more recently established programmes which are characterised by reactions against the familiar values of British broadcasting, and in favour of that craze for the demotic which has permeated so much in Britain in the second half of the 'seventies.

No doubt every generation tends to react against the previous one, in broadcasting as in all things, and in some respects this is very healthy. For instance, the one-time domination of the air waves by white males speaking standard Southern English clearly had to change. Yet it is hard to recognise as an improvement the present position in which it is practically impossible to get a start in presentation now if you are a white male speaking standard southern English, and only possible if you are female or some colour other than pinko-grey or speak in an accent impenetrable to those born outside your northern English town—or preferably all three.

Even that, however, seems less important than the apparent reaction against the values represented by *Vision On* and *Take Heart*, *Blue Peter* and its copy *Magpie*, and even the costume serial dramas produced by BBC Children's Programmes (the beautifully photographed *Canal Children* currently being repeated, for example). These programmes have always stood for the unusual, for individual skills, the remarkable, the idiosyncratic and those things which are not necessarily easy to achieve.

The new programmes such as the BBC's *Cheggers Plays Pop* and *Think Of A Number*, ATV's *Bunch Of Fives*, and Southern's *Runaround* stand for no such things: they all seem to have been born out of the same spirit of unthinking egalitarianism as that which inspires those wanting to banish all educational selection (unless it be for soccer players or pop groups).

The programmes in this new wave are devoted to the adulation of the ordinary, the unremarkable, the easy to achieve. *Cheggers* (a reference to Keith Chegwin, the unhealthy looking young northern presenter who skips about like a pixie with tubby hips and buttocks crammed into oertight jeans) has a participating audience of young school children as do *Runaround* and *Think Of A Number*.

On all these shows the children are encouraged to applaud one another, and often themselves, wildly for the most banal achievements: banging a wooden peg with a wooden mallet (*Cheggers*) or knowing how to spell Mowgli (*Runaround*).

Think Of A Number seemed to be aiming for something better. In Episode 1 presenter Johnny Ball began by saying that nearly everything in science could be explained by a very basic mathematical concept. But the first two episodes have contained lots of quick tricks and virtually no mathematical explanations. Ball does have a nice line in puns and jokes, but his programme like the other new ones evidently assumes in its audience a maximum attention span of about two minutes.

It may be argued that, like the Home Service *Children's Hour* of my childhood, the *Blue Peter* group of programmes which has won so much praise for so many years are being overtaken by changes in society and made to look old fashioned and of appeal only to a shrinking portion of the suburban and rural middle class. Such an argument sounds highly dubious since BP has always been well ahead of social change (John does the cooking, Lesley gets the heavy digging, and John never did sound much like Alvar Lidell) and I am not aware of any slide in the ratings.

Still, that may be the argument, and the new wave explained as being programme for all those egalitarian boys and girls who need slightly less demanding material. If that is so and the two types of programme can coexist, all well and good. My fear is that bad may drive out good and the children of Britain, hitherto so well served by television, will be left with nothing to watch but second rate rock groups and over-orchestrated parlour games.

Angelo Romero (kneeling) and Elena Zilio (right)

Turin Opera

Der Corregidor

by WILLIAM WEAVER

It is the policy of the Teatro Regio here to present only a limited number of operas in a season, but to give each one a fair number of times, so the season actually lasts almost as long here as in other Italian opera houses. Surprisingly, though the choice is restricted, the house manages to offer not only a varied programme, but also an adventurous one. This year's bill is characteristic: one Verdi (the *Macbeth* which opened the season last November), one Puccini (*Tosca*), one Mozart (*Don Giovanni*, a revival from last year), and one Rossini (a *Barber*, which will conclude the season in May). Then there are two 20th-century works: Henze's *Elegy for Young Lovers* in its Italian premiere and Prokofiev's *Love of Three Oranges*, presented in Turin for the first time.

And, currently, Hugo Wolf's *Der Corregidor*, which, though it dates from 1897, has never been staged in Italy before. The production was obviously fostered by the well-known Italian musicologist Luigi Rognoni, who performed a similar attempted salvage, at the Regio, of the Weber-Mahler *Die drei Pintos* a couple of years ago. Rognoni, again on this occasion, prepared (or revised) an Italian translation and also produced the piece. Unfortunately, the translation and the production were two of the less happy aspects on this undeniably important musical event.

Frank Walker called the libretto of *Der Corregidor* a "flawed and misshapen mould," and—after seeing it performed—one cannot disagree with him.

Only a composer as theatrically innocent as Wolf would write a second-act finale for three comprimarios or introduce a major character (the Corregidor's wife) in the last act. There is, however, a deeper problem, which is the ambiguity of dramatic tone. In theory, this is a comic opera, and there are several standard buffo characters, including a village drunk and a sneezing servant. But the central emotion is the love of Lukas, the miller, for his wife Frasquita, and hers for him (the libretto is based on the Alarcon story, *The three-cornered hat*). For them, Wolf wrote music often of heart-melting tenderness, as opposed to the more frankly farcical music for the others.

So what is a producer to do? Rognoni's solution was to reduce everything, as far as possible, to a common Rossinian denominator (he was no doubt encouraged by the presence of some veteran comic singers, notably Paolo Montarsolo and Renato Ercolani). But this does not work, and so the opera seems even more hybrid than it is. The sets by Paolo Bregni were also incoherent. In a programme note Rognoni refers to the Sezession movement, and some patches of gold in a couple of sets are vaguely reminiscent of Klimt. But other sets (and all the costumes) are more traditionally Spanish. So, just as the staging had no dramatic line, it also had no visual key.

Fortunately the miller was sung by the gifted young baritone Angelo Romero, and his wife was the charming soprano Elena Zilio. They played together with easy affection, and their voices were well-matched.

The other singers, though some of them were miscast, made a generally positive contribution.

Without going into the vexed question of opera-in-translation, I venture the opinion that, in this case, translation was a mistake. Even the strongest supporters of translating opera are seldom heard suggesting that *Frauenliebe und Leben* or *Die schöne Müllerin* must be sung in the language of the audience. Wolf's opera, obviously, has a Lied-like character. In the first act, Frasquita sings "In dem Schatten meiner Locken," and the song's melody and accompanying rhythm remain a kind of musical kernel of the rest of the opera. Forcing Italian words (and, in this case, rather dreary words) on this and other tunes is surely a mistake. For that matter, the story-line is so simple that it could be followed by any audience.

Finally, *Der Corregidor* is not an operatic masterpiece, but it contains page after page of haunting, elusive music. In Turin, the conductor Piero Bellugi plodded through the score, missing point after point. Proof of the opera's value, then, lies in the fact that, in spite of this defective performance, it aroused interest and also gave immense pleasure.

Old Vic

Twelfth Night

by B. A. YOUNG

A four-piece group The Illyrians, lurks upstage playing light music by Don Fraser. Two or three peasants, dressed more or less for our own time, drag in a wagon laden with goodies for a picnic. What comedy, friends, is this? A handsome man in white shirt and white breeches soon makes it clear. Leaning against the wagon, "If music be the food of love," he commands, "play on." It is Orsino, played by John Rowe, and the play is *Twelfth Night*, played by Prospect.

The *al fresco* beginning is maintained throughout the evening. It is high summer in Illyria: Bernard Culshaw has put a great red sun on the backcloth and left the rest of the scenery mostly to our imagination. Orsino's household and Olivia's household take their pleasures in the garden. Sir Toby makes his first entrance disguised as Bacchus on a great barrel mounted on that same wagon, that becomes the stage-crew's vade mecum: and when it's necessary to find a dark place for the incarceration of Malvolio, into the barrel he goes. Festival reigns: whenever two or three are gathered together, some of them will go into a dance.

The holiday air leads to much social relaxation. Feste, in spite of the *lèse majesté* of his first joke ("Take away the lady"), sits down with Olivia at her table without an invitation. But the understanding between them is special. Robert Eddison gives the best Feste I have ever seen, a sad old Archie Rice who knows that his jesting days are over but must work at it all he can, even accepting such nasty jobs as mocking the imprisoned Malvolio in the person of Sir Topas, and begging for more largesse whenever the chance presents itself. He was a great entertainer in his day, you can tell that from his singing (new settings of the songs, Mr. Fraser again) and from his acceptance by everyone.

Louise Purnell's girlish Olivia knows what is in store for him. When she tells him "Now do you see, sir, how your fooling grows old, and people dislike it?" he buries his head on her lap. It is a magical moment.

Eileen Atkins, freshly rescued on the beach with her hair anyhow, shows little romantic promise; but once she has changed sex (achieving an unusually close likeness to her twin brother Sebastian) things are different. I don't like the long coat she wears, which seems to be designed to make her look feminine; but her talent is best expressed in her boyishness, though she can go romantic when the lines demand it, and to good effect.

Malvolio has a rich, aristocratic voice poisoned with a grocer's "ow" sound. By giving him such vast pride, Michael Denison makes the later humiliation all the more pathetic, and pathos being his object, he does not try too much to make him funny. Of course he is funny in his yellow stockings, cross-gartered, with a yellow plume in his hat that Shakespeare never thought of but would probably approve; but he is a figure we can only laugh at, never laugh with.

The Belch set are as broadly comic as the text will take. They are never quite convincing in modern kit, to my mind; why should Aguecheek be fencing with a sword (a Japanese ... at that) when he is wea... check two-piece suit such ... might see on Grand Nation... in the Rover's Return? ... he is a reasonably con... figure as Ronnie Stevens ... him, probable or not. Joh... dent is not one of nature... Tobys, and clowns him ... lessly. Maria (Carol Gill... not only consistent but e... probable, never for a m... allowing her fun to go too ...

The production as a ... which is directed by ... Robertson, is light and che... clearly designed to extra... much laughter as possible... haps it extracts a little too ... for my taste; but a prod... with this Feste can be al... many, many faults if nece...

Eileen Atkins and Louise Purnell

Trevor Humph...

Quaglino's

Three for the Road

by ANTONY THORNCROFT

Anything that aims to amuse Londoners, or rather London tourists, after midnight must be welcomed even "Three for the Road," the "musical revue" which opened the revived Quaglino's on Monday night. Breathing life into the night clubs of the 'thirties seems to be the flavour of the month—the Embassy was gaily vamped up two weeks ago. It is all part of the renewed confidence of the rich to enjoy themselves in public.

Quags has managed to retain a clientele throughout the years: it was well patronised by comfortable county families celebrating their fourtieth wedding anniversary around the table that first engaged them back in the white tie and tails days. In past years it has flirted with satire when David Frost was flirting with satire, and more recently has got by as an up-market Talk of the Town. Its latest manifestation aims to combine traditional style with modern fashion.

A first night balance sheet would put the food and the service very much on the credit side. Unfortunately for your £9.50, a hundred pence more at the week-ends, you also get music, rather turgid and anonymous stuff from a small band, and then the cabaret, which unadventurously harks back to pre-war London yet again.

For the first month it is "Three for the Road," a sub-Manhattan Transfer, sub-sub Side by Side by Sondheim entertainment, which finds a trio of singers cavorting their way through songs by Jimmy Van Heusen and James Burke. It has a kind of awkward charm. A Press release says it is all about "three air stewards, accidentally grounded in the Far East who, in imagination, make trips in song to exotic places." In practice a few pretty melodies of the "Moonlight Becomes You" variety, are strung together by two fellows a... girl who seem to have to ... just one chair. It is inoff... if anaemic is a compliment.

It is a pity that this "theatre restaurant" did n... off to a more powerful ... Quags retains enough enc... style to give it a head st... the nostalgia stakes, and ... in its new form will not up... traditional customers. Wh... it will attract the galliva... young when there is so ... competition around—Fou... which opened last night, ... Madisons, next week, are ... two more "supper clubs" ... peting for the gossip colum... —only a few late nights wil...

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A demand for skills

DESPITE THE apparent stagnation of output, the unemployment figures continue to drop and the number of unfilled vacancies to rise. The underlying trend of unemployment — as measured by the number of those wholly without work, excluding school leavers and allowing for normal seasonal fluctuations — has now been falling for seven months in succession, and the latest drop is the largest of the seven; the number of unfilled vacancies has been rising for six months in succession. Not only are these trends difficult to square with an almost unchanged level of production but there is little evidence in recent industrial surveys of an increase in demand for labour, except in certain skilled categories in which scarcity has persisted throughout the recession.

There are several possible explanations of this persisting discrepancy and more than one of them may contain an element of truth. The first is that output is in fact rising more rapidly than the official statistics suggest: the measurement of production is particularly difficult when prices and stock levels are changing rapidly. This, however, is more plausible with regard to the most recent unemployment figures, since these are published comparatively soon after the event. It does not explain why unemployment, after rising sharply throughout the summer months, began to fall in October.

Statistics

A second possible explanation is that there is something wrong with the unemployment statistics themselves. It is odd, for example, that the number of those joining and leaving the unemployment register — the change in unemployment is the small difference between these two relatively large totals—has fallen quite sharply over the past few months. It is worth noting, too, that actual *employment* has dropped in the past two months recorded. It is possible that the seasonal pattern has altered and that the seasonal corrections have gone awry. There was, after all, a drop in unemployment recorded in the early months of last year, followed by a steep rise in the summer. It will not be until June, on this supposition, that we shall know whether the apparent fall in unemployment is genuine or a statistical accident.

Two other related explanations are worth a mention. One is that a high proportion of the total drop in unemployment since last autumn has taken place in the south east region of the country, where the percentage level of unemployment is lowest. This would be an understandable consequence of the rise in consumption which higher earnings, slower inflation and lower taxation have combined to bring about. In the month to mid-April, as it happens, this pattern has changed to some extent, with substantial unemployment falls in such depressed regions as Scotland (7.8 per cent. unemployment) the north (8.2 per cent.) and the south west (6.4 per cent.). The tendency for the traditional disparities between the regions to become more marked again is perhaps beginning to go into reverse.

Differentials

If so, the Government's various special measures for creating and maintaining jobs has probably had its part to play. These measures are officially estimated to be keeping some 260,000 people off the unemployment register, a figure which completely overshadows the month-to-month changes in the total registered as unemployed and makes the interpretation of the trend still more difficult than it would otherwise be. Given that a relatively high level of unemployment seems likely to be not merely a cyclical phenomenon but something that will be with us for some time, the most valuable of these special measures are those that involve training, especially off the job. The fact that demand for skilled men can remain high in mid-recession demonstrates that there is a scarcity to be remedied. If it is to be remedied effectively, however, there must be not only an increase in the number of skilled workers but an increase in the differentials paid for skill.

The limits of pay policy

NO ONE pretends that pay policies are fair. There are occasions when they may be accepted by the public for a short while; but the longer restrictions are maintained the greater will be the anomalies and distortions of pay structures and the greater will be the risk of the policy itself coming into contempt. Other groups in the community besides the armed forces have seen their pay fall seriously behind because they have been subjected to the strict limits of the official pay guidelines and are unable to work on overtime or shift work rates, participate in self-financing productivity deals, or make up their pay packets through other forms of wage drift. But servicemen are singularly disadvantaged compared with most others in being unable to resign at short notice to move to a better paid job elsewhere.

Balance

The introduction of the military salary in 1970, followed by the setting up of the armed forces pay review body, was a recognition of this factor. The new salary was to be based upon the concept that members of the forces should be paid similar rates to those for comparable civilian jobs, adjusted by an "X" factor to allow for the balance of advantages and disadvantages of service life—the danger, the frequent moves, the restrictions on personal liberty imposed by military discipline, and the inability to change jobs freely. Comparability was to be assessed by the review body, together with the charges that servicemen should pay for their food and accommodation.

This system has been allowed to operate properly in only two of the last seven years. The shortfall and distortions in service pay bred by the Heath Government's pay policies were not so severe as to be incapable of being fully made good in 1975, but since then the military salary has fallen so far behind again as to require increases averaging 32 per cent. if the forces were to be put in a position of suffering no more than the community generally.

Last year and the year before the review body accepted that there was an over-riding need for the pay guidelines to be adhered to, even though their operation would put servicemen at a disadvantage. At an early stage in the present review, it warned the Government that it could not do other than recommend the full restitution of comparability. The Government made it clear that increases above the present guidelines would have to be staged, and so the review body has proposed that the minimum immediate increase should be one calculated to prevent a further relative deterioration in service pay—in other words, an increase of about 14 per cent.

In his statement in the Commons yesterday, the Prime Minister tried to justify this figure as consisting of the 10 per cent. which was available generally, plus a 3 per cent. addition to the "X" factor to allow for the effects of "overstretch" and other ways in which the relative conditions of service life have deteriorated, and a further 1 per cent. for higher Northern Ireland pay, increased allowances, and a freeze on accommodation charges pending a detailed study of their basis (the charge for food, meanwhile, is to go up by 20 per cent.).

Compromise

In practice, however, the choice was probably no more than a political compromise between what Ministers thought, on the one hand, might preserve the semblance of a pay policy and, on the other, might help staunch the rising flow of resignations by servicemen. Much has been made of this increased wastage in recent months, and pay may not be the only factor, but the fact that servicemen cannot leave at short notice could well mask a more serious situation especially among the middle ranks who are expensive to replace and train. In promising the full restitution of comparability in two years' time, the Government has followed the precedent of the firemen's settlement. But the fact remains that the award is the bare minimum Ministers felt they could get away with, and it could well prove to be insufficient to stem the attrition in the forces' strength. In the end, pay policy cannot buck the market.

Vorster's grand design runs into trouble

BY QUENTIN PEEL, Johannesburg Correspondent

PARAMOUNT Chief Kaiser Matanzima, Prime Minister of Transkei, formally withdraws his ambassador from Pretoria on April 30, yet little will really change in the relationship between South Africa and the tribal homeland. The Transkei budget just announced still provides for South African aid totalling R113.5m. (£80m.). Trains will still cross the border, electricity supplies will continue, remittances from some 350,000 Transkei citizens working in South Africa will still flow. Some 900 South African civil servants will carry on working in the "independent" Transkei, all by courtesy of the South African Government.

The reaction of Mr. John Vorster, the South African Prime Minister, to Chief Matanzima's gesture, apart from injured innocence at the accusations of "contemptuous and brutal" treatment, was passive. "It is he who has made his bed, and he must sleep in it," Mr. Vorster declared. "It goes without saying that we shall honour our undertakings. It is not we who will ostracise the Transkei. It is the Transkei which has ostracised itself."

Undoubtedly however, Matanzima's action calls into question some of the basic assumptions of the South African master plan — and it means that the system is now being challenged from each end of the black political line-up.

Mr. Vorster's grand strategy, as inherited from his predecessor, Dr. Hendrik Verwoerd, seeks to create independent ethnic states for each black tribe in South Africa, leaving the rest of South Africa as a majority white state without black citizens, albeit with coloured (mixed race) and Asian minorities. To accomplish this the tribal homelands must become reasonably viable states, and the flow of the black population into the "white" urban areas must be reversed. Mr. Vorster must defuse the political aspirations of the existing urban blacks, and persuade them to exercise their ultimate political ambitions within their respective tribal areas.

Mr. Vorster has faced challenges from radical urban blacks, demanding both greater economic opportunities and a greater political say in the system; and from unco-operative homeland leaders, led by Chief Gatsha Buthelezi of Kwazulu, who refused to accept independence outside a unitary South African State.

Now, however, the Government is being challenged from "within" the citadel. The Transkei move means that even the most conservative and hitherto co-operative of homeland leaders finds it difficult to stomach his appointed role in the apartheid system. Chief Matanzima's action raises the question whether the final patchwork of independent homelands can ever co-exist with their parent State: whether the policy of separation does not in fact aggravate, rather than accommodate, the innate stresses of a multi-racial society.

Chief Matanzima's complaints are two-fold. He lays claim to the district of East Griqualand, something of a no-man's land on his north-eastern border, which is claimed both by white farmers and by its original Griqua settlers. If it were transferred to the Transkei, it would consolidate the country into two portions rather than its present three.

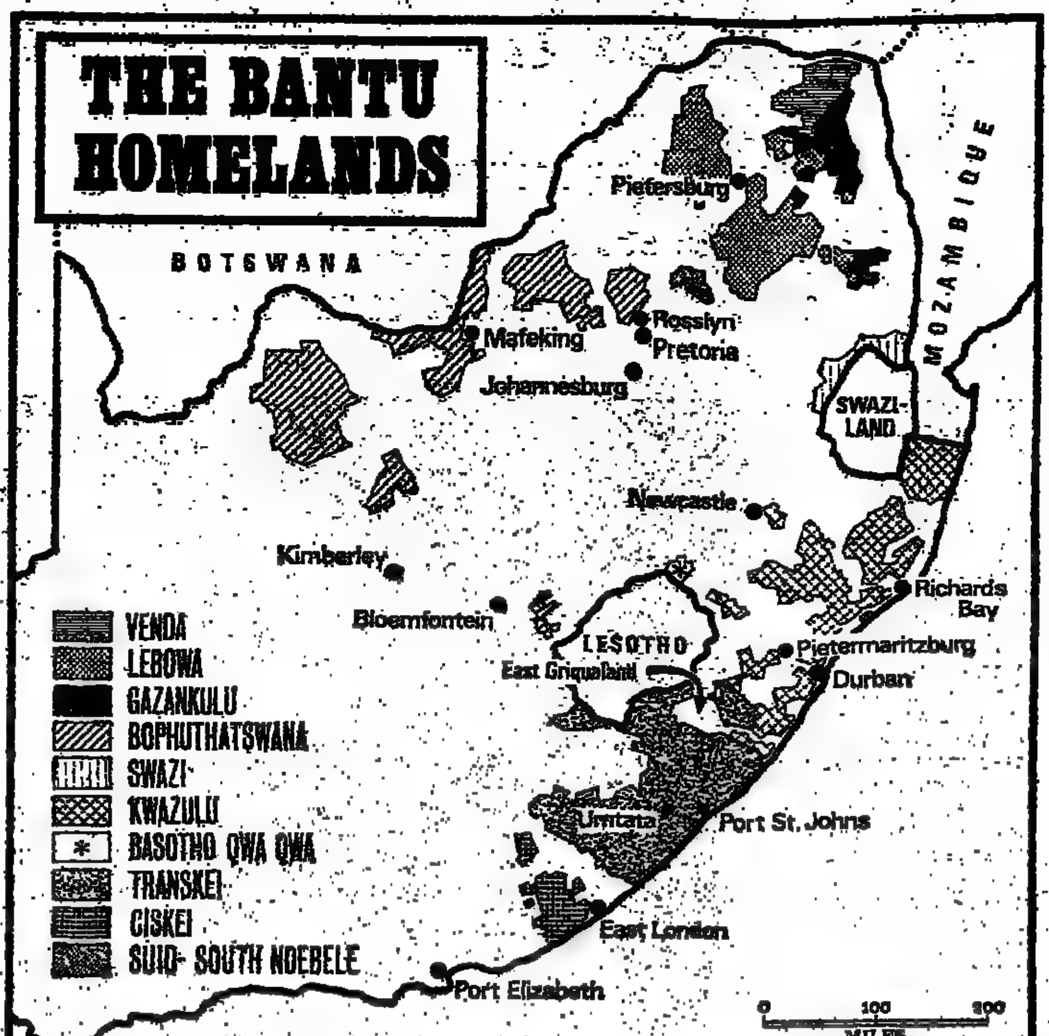
The second complaint, as spelled out by Professor M. Njisane, the ambassador in Pretoria, concerns the treatment of Transkei citizens in South Africa. They remain subject to a whole range of restrictive legislation governing their movements, jobs, and leisure.

Balkanisation of South Africa

Chief Matanzima's objections concern the enforcement, rather than the principle, of apartheid. Chief Buthelezi, on the other hand, is adamantly opposed to a Balkanisation of South Africa, which is fundamental to the National Party blueprint. As for the radical urban blacks, as represented by the Black Consciousness Organisations banned last October, they totally reject the homeland concept and insist on nothing less than majority rule in South Africa. They absolutely reject any move to deprive them of their South African citizenship in favour of citizenship of one or other homeland.

The Government response to black opposition has been very slow. National Party spokesmen maintain that opposition is much less widespread and significant than their opponents make out. Mr. Vorster in particular has consistently refused to make any move that might be seen as a response to pressure, especially violent pressure.

Since the general election in November, however, when the National Party was given a landslide victory by the all-white electorate, the pace of change appears to have quickened. Several moves have been made to implement Mr. Vorster's declared policy of "moving away from discrimination." Theatres have been told that they may apply for annual permits to play to mixed audiences: Churches have been told they need no longer apply for permits to allow blacks to attend regular services: private schools have been allowed to admit more black pupils: sports clubs have been told they may apply for "international" status to allow black members to join white in club-house activities, as well as on the field; and multiracial night clubs have even been allowed to open in Johannesburg.



These moves have been cautious in the extreme: the concessions in private schools and night-clubs could be very temporary. Claims by Dr. Piet Koornhof, the Minister of Sport, that sports apartheid has disappeared appear questionable as long as white spectators cannot attend multiracial football matches in black townships, and while a complex system of permits remains in force for most multiracial activities.

One move announced by Mr. Vorster as a major concession was his intention to do away with the hated pass laws, under which blacks must carry an identity pass at all times, and present it on demand to a policeman. An average of 160 people a day were arrested for pass law offences in 1976. Mr. Vorster announced that instead, blacks would in future be required to carry "travel documents" issued by their Homeland Government. The basic regulations governing influx control would remain, strictly limiting the access of blacks to "white" urban areas, and restricting any claim to permanent resident status. Thus the change merely gives the homeland leaders the unfortunate task of themselves enforcing the influx control.

Certain political and economic changes could prove more fundamental. Two major political innovations have been introduced, with mixed success. The first has been the installation of Community Councils in the townships, to replace the former Urban Bantu Councils. The latter were purely advisory, whereas Community Councils are supposed to be given some executive powers, and even in some cases to run "fully autonomous municipalities." Councils have been elected with reasonable success in some of the smaller black townships, but the election proved a fiasco in Soweto itself, where only two of 30 wards were contested, and 5.6 per cent. of the eligible electors actually went to the polls. In subsequent by-elections only 6 per cent. voted in 14 wards.

The other political move has been the constitutional plan proposed by Mr. Vorster to set up three parallel parliaments—for whites, coloured people and Asians—under a joint "super-cabinet." The plan would ensure a continuing white majority in the joint body, while giving the two smaller population groups a more formal say in government. Both the politically moderate Indian and coloured people's representative councils have rejected the plan, primarily because it does not allot any place to urban Africans. Legislation has been put back to 1979.

There has been a relaxation of restrictions on black traders operating in the townships, but the ban on blacks acting as managers in the white city centres has been maintained. More important, two government commissions have been established to investigate the whole area of labour relations. The Wiehahn Commission is not expected to report until the second half of the year, but informed leaks suggest that while it may recommend recognising black trade unions, it will simultaneously propose sweeping restrictions on the trade union movement as a whole. Instead, plant-based "enterprise committees," which might have proportional representation for the different race groups, but allow minority groups a veto, would be encouraged. The other commission, run by Dr. Piet Riekert, economic adviser to the Prime Minister, is looking at the whole area of legislation as it affects urban blacks as workers.

Perhaps the clearest example of the limitation of Government-inspired liberalisation comes from proposed changes in the law to allow blacks to take out mortgages to buy their own homes in the townships. Dr. Connie Mulder, the new Minister of Plural Relations and Development (the new name [of] the old Department of Ba[ntu] Administration and Devel[op]ment), made a major concess[ion] when he announced rece[ntly] that the "relative permanen[ce] of urban blacks must be rec[og]nised. The law on black p[ro]perty ownership is to be chang[ed] to give them 99-year leases, [but] to allow freehold rights wo[uld] not be compatible with Gove[rn]ment policy, he said.

What makes black oppone[nts] of the Government extrem[ely] sceptical about the claim [that] liberalisation has been take[n] is that while moves are int[ro]duced to improve their mater[ial] lot, the massive populati[on] movements necessary for [the] implementation of the aparthe[id] master plan continue. In [a] recent report, the Black S[ash] anti-apartheid organisation [cal]culated that some 2.1m. peo[ple] had been shifted about in [the] strategy of consolidating [the] homelands, setting aside spec[ial] group areas for each race a[nd] removing "black spots" a[nd] "white islands" from [the] country. According to publish[ed] plans, another 1.7m. peo[ple] remain to be moved. Of [a] grand total, all but 9,600 [are] black.

Dr. Mulder has declared [in] Parliament that his vi[ew] remained that of a "whit[e] South Africa which ultimat[ely] would have no black citize[ns]. Moreover, while conceding so[me] right of permanence in terms [of] home ownership, he has int[ro]duced an amendment in Parl[ia]ment which will deny bl[ack] children the residence rig[hts] their parents have jealou[sly] preserved. According to [the] Bantu Laws Amendment [Bill,] the black children of pare[nts] who are citizens of an in[de]pendent homeland will [no] longer be able to qualify [for] urban residence under so-cal[led] Section 10—thus laying th[e way] open to the danger that o[nce] grown up they will only [be] tolerated in the "white" ar[eas] as migrant workers.

Unchanged strategy

Thus the principles [of] Government policy, the und[er]lying strategy, appear to rema[in] unchanged—and thus as u[n]acceptable as ever to wh[ite] Chief Buthelezi, or to urb[an] black radicals. If Mr. Vorster and Dr. Mulder are to [out]manoeuvre this opposition th[ey] must rapidly win over the co[n]servative homeland leaders, a[nd] make a working proposition [of] the homelands. Mr. Vorst[er] told Parliament in January th[at] he believes all the homelan[ds,] with the possible exception [of] Kwazulu, would be independe[nt] within five years. Yet if Chi[ef] Matanzima's frustration prove[s] contagious, that timetable cou[ld] slip drastically.

MEN AND MATTERS

Food for sale —at a price

Exports of food are one of the successes of the Chilean junta—or so Patricio Maturana, the First Secretary (Commercial) at its London embassy, was assuring me yesterday. The figures would seem to support this. In 1973 Chile imported $800m. worth of foodstuffs and exported $30m. But by 1975 the accounts were even and since then food has been a net foreign exchange earner. Food imports from Chile by Britain have quadrupled between 1975 and 1977.

First Secretary Maturana told me that onions did particularly well here, but sales of dairy products had to be aimed at other countries. He said that Chilean food production rose 14 per cent. between 1976 and 1977, so that there was "a good margin for export."

These claims that food exports are "one of the most successful sectors of recent years" are put in a different context by the Chilean Solidarity Committee. A spokesman for this body cites the figure that 61.5 per cent. of pre-school children in shanty towns are undernourished. This statistic comes from the Catholic Church's specially-created "Vicariat of Solidarity for the defence of human rights and the unemployed in Chile."

The spokesman also quoted Chilean government officials from CONIN (The Corporation of Infant Nutrition) and CONPAN (The National Council for Food Nutrition) who last summer reported that between 17 and 18 per cent. of Chilean children aged under six suffer from mal-nutrition. 30,000 school children are fed in soup kitchens formed by charitable organisations since the coup.

When I relayed these figures to Maturana he said it was "quite untrue that there are hungry people in Chile" and asked for my name. He also challenged figures that the average calorie intake has fallen 11 per cent. below recommended World Health Organisation minimums. Egg consumption per head was halved, I learn, and meat consumption is down by a quarter.

"The export of hunger" is how Chilean exiles describe the food exports, but the First Secretary (Commercial) retorts that infant mortality rates have fallen by about 25 per cent. since 1973. However, a pediatrician writing in the Jesuit monthly, Mensaje, in Santiago, states that in the period they have risen by 50 per cent.

John's sympathies

MORE ON FOOD. While Agriculture Minister John Silkin was doing battle yesterday in Luxembourg, his character was being dissected before a covey of Continental journalists in London. The dissector, National Farmers' Union president Sir Henry Plumb, said Silkin was "consumer-oriented" — reflecting the middle element in his triple responsibility for agriculture, food and fisheries. Some farmers thought, said Plumb, that Silkin's role should be split up; but this might not be a good idea if there were to be "a weak Agriculture Minister and a strong Food Minister."

When it came to substance rather than personalities, Plumb became involved in a complex discussion about the EEC's overproduction of dairy products. He admitted that it was in nobody's interests that the butter output of British farmers is now "going into intervention" to add to the mountain of excess butter Europe possesses. A New Zealand journalist at the meeting complained that his country was being told to diversify its butter sales, but kept running into offloaded EEC surpluses around the world. Sir Henry agreed that this was a pity: for all that, he sternly opposed New Zealand's hopes of long term access to Europe for its butter.

"Gad, the LSE is the last place for banning anything—in particular the birch!"

Rude alarums

A latter-day Nell Gwynn greeted me at London's Olympia yesterday with a fruit basket on her arm—apples not oranges—and the title Miss Beautiful Eyes round her shoulder. She turned out to spend her time touring shop-floors trying to persuade workers to protect their eyes from rubber dust and swarf (small pieces of metal). But at Olympia it was one's ears that needed protection—from the sirens, burglar bells and rape alarms, which split the air.

There were ultrasonic devices to get rid of rats and villains, psychological stress evaluators (or what the layman would call lie detectors) and all sorts of gadgets to ensure that any intruder will find the force—Scotland Yard variety—will be with him.

One U.S. firm was celebrating selling 20 miles of wire fence to help stop "vandalism" at Tokyo's new International airport. But Chubbs told me that they did not expect big orders and so desperate was one exhibitor that he offered me a bottle of champagne if I would write about him.

One firm gave me a detailed description of how to install a hidden safe in a way "your wife will never learn about" and said "these days you never know what drug addicts your daughter will bring home." All in all, it was a relief to leave, and to shut the door on a mixture of the sounds of Kojak and of the din that your neighbour's burglar alarm makes when the wind blows and the alarm's duty officer is already out trying to stop 50 other shrieking banshees.

Dialling out

Exporting people is becoming big business for Britain. Our latest coup is an "order" for more than £4.5m.-worth of British telecommunications engineers for Iran. They will work on a £167m. telephone exchange contract in Iran, won by the Ford Aerospace subsidiary, Aeronutronic. The recruiting company says that the "excellent" Post Office training gives British engineers an edge over Americans in a deal of this kind. Pay will range between £12,000 and £18,000 a year after tax. Over three years around 250 of our men will be recruited for varying periods.

Maybe the GPO would like to offer the chance of such jobs in the sun to some of the operators on their Turkish desk—so that the automatic lines now installed can be made available to the public. Redundancy problems are delaying the hook up.

هكذا من الأصل

FINANCIAL TIMES SURVEY
Wednesday, April 26 1978

Vehicle Finance and Leasing

The leasing industry is going from strength to strength and its growth in the vehicle market has been very rapid. This sector also received a further boost when the Chancellor did not, as expected, remove any of the tax advantages gained from leasing a vehicle.

Left alone to prosper

By David Wright

FUELLED BY an unprecedented level of inflation the cost of purchasing and running a motor vehicle has risen out of all proportion over the past three or four years. This has put an even greater strain on the company or fleet user, who is already under pressure to preserve margins and liquidity ratios, while at the same time it has forced a number of private individuals out of the new car market.

Faced with this problem the companies, which now account for 60 to 70 per cent. of all new registrations, could either retain the fleet longer or find alternative funding arrangements. Since extending the life of the fleet results in higher maintenance and repairs costs as well as a much lower trade-in value the savings are short term if there are any at all. So other forms of finance or means of acquiring the use of motor vehicles was the natural solution.

Leasing and contract hire, which offer the company several advantages, in particular cash flow and tax allowances, have been *steadily filling* this need in industry. But even these methods took on an added attraction following the relaxation in *the Control of Hiring* Order last June. Since then the leasing industry has been booming and a leading lessor claims that business has virtually doubled over that period.

It is easy to see why leasing/contract hire has been so popular *with companies*. First, there is no sizeable initial capital outlay, so this allows funds to be used more profitably elsewhere *in the business. Moreover*, it reduces the burden of managing the fleet since a leasing arrangement can be tailor-made to suit any particular need. This means that any maintenance or repair cost, the big imponderables in fleet management, along with any other outlay such as insurance and road tax, can all be included in the monthly rental. This *in turn* gives the company greater scope in forward planning, since the fleet costs would be known in advance.

But the big financial *gain* stems from the way in which leasing is treated for tax purposes. A leasing company or finance house is eligible for a 100 per cent. first-year write-down allowance on new vehicles. The benefit of these allowances are passed on to the fleet user by way of reduced rentals. In turn, these rentals can be offset by the lessee or fleet operator against his revenue as a business expense and are fully allowable against tax.

In the past, there was a certain amount of friction caused by the doubt over whether the resale value of the vehicle coming off a lease could in some way or other be passed on for the benefit of the operator. Some leasing companies felt this practice was *illegal* and as such they did not pass on the benefit of capital allowances. But they were *suffering* from loss of business, since their terms were not competitive with the lessors who were feeding back the benefit.

But the *doubt was cleared* up last June when it was announced that businesses were exempt from the controls. This not only meant that the *front* end deposit was greatly reduced—the rate now is about three months' rent in advance against ten *previously—but the residual* value and any excess over this figure are passed on to the *lessee*.

Since second-hand car values have been very strong there have been substantial gains *from the disposal of the car* after a leasing arrangement. This bonus has naturally been a major factor behind the recent remarkable growth in finance leasing.

Indeed such has been the level of tax gains that many *people both in and outside the* leasing industry were confident that the Chancellor of the Exchequer, Denis Healey, in his recent Budget would take measures to close this tax loophole.

The main area for criticism has been the executive cars that are fixed with only a nominal residual value at the *end of a two-year lease*. There are cases of Rolls-Royces having a residual value of £1,000 after two years. Maximum benefit *would have been achieved on* the high rentals while at the end of the lease the vehicle would be sold on to an employee at this artificially depressed level who would have an immediate tax free capital gain.

This without doubt is a tax avoidance scheme and is one such area that was widely *expected to be blocked*, by tightening up on the personal tax allowance arising out of such deals. However, the fear in the industry was that while blocking these blatant tax avoidance schemes the Chancellor might introduce measures *that would hit the responsible* side of the leasing sector.

Many thought that there might be some moves to change the 100 *per cent. write down* allowance in the first year. An amendment to 75 per cent. was suggested while it was even feared that the Chancellor would revert back to the *old* 25 per cent. level.

To that extent the leasing industry breathed a sigh of relief although to be fair the well-known leasing companies were not involved in the practice of artificially depressing the residual value. Indeed the industry now seem to be very prudent when fixing residual value. A consensus of opinion around the major lessors is that 75 per cent. of the original value was a fair average after one year, about 50 per cent. after two years and 30 per cent. after three years. Inflation rates are after all falling and a return to a *more traditional second-hand* car market looks inevitable.

Force

As for the fringe element it must be hoped that they take the warning from the *few* areas of tax avoidance that the Chancellor *actually hit particularly*, as the measures were retrospective, which was not widely expected.

In the meantime the leasing industry appears to be going from strength to strength. Lombard North Central, a subsi*diary of* National Westminster Bank is a major force in the market. Lombard acts purely as a finance *house*, financing the *distributors while at the same* time forging some links with the manufacturers.

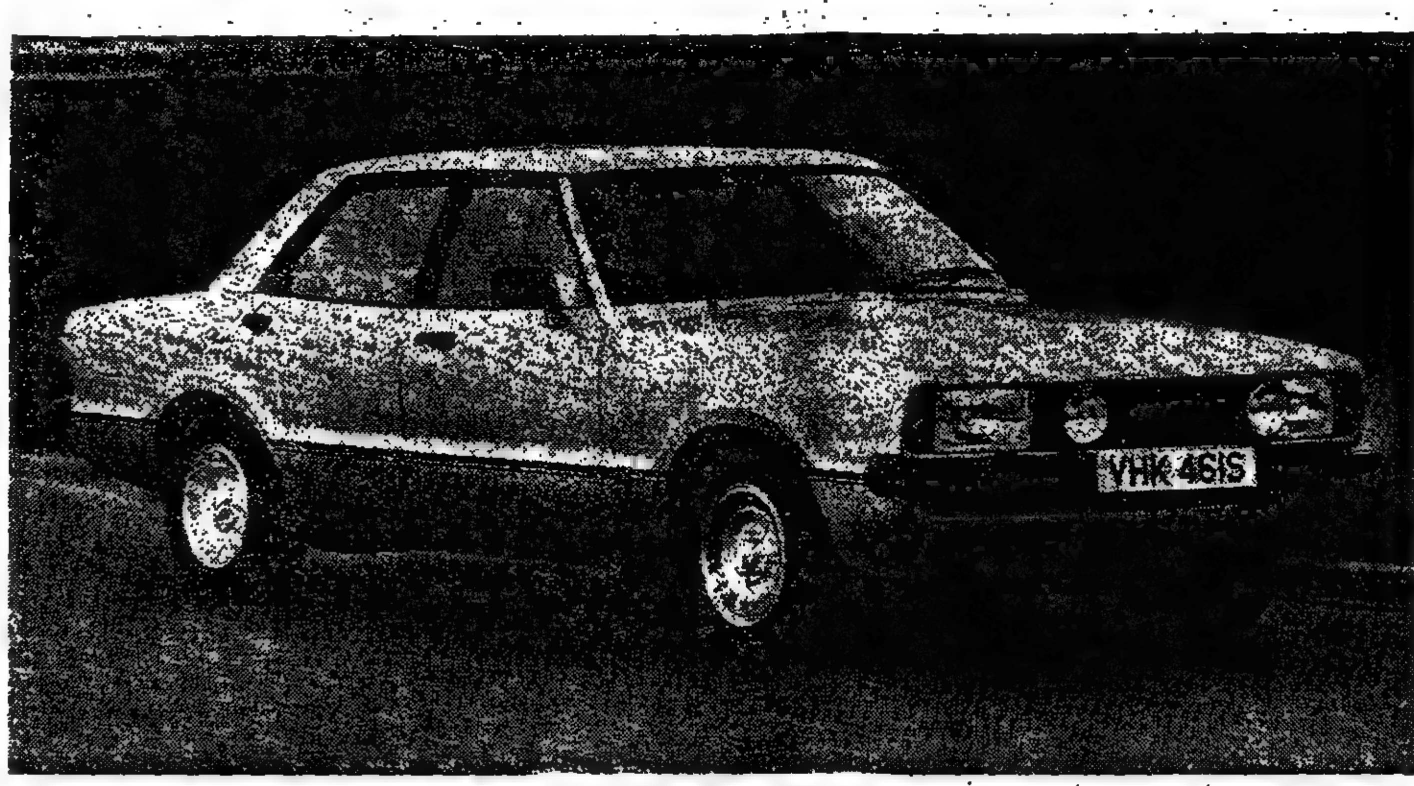
Dial Contracts a subsidiary *of* Mercantile Credit *is pre*dominantly involved in the contract hire field and with about 7,200 cars under its manage*ment it is the largest in the* U.K.

Among the manufacturers, Ford is probably the most aggressive *through its subsidi*ary *Ford Motor Credit*. [...] number of the Ford m[...] dealers use this service. So[...] of the dealers themselves ha[...] *also formed their own leas*[...] subsidiaries like BSG Group [...] Appleyard.

Other developments in [...] leasing markets include [...] companies that also offer a m[...]agement service for the fle[...] PHH, the U.K. arm of Peter[...] Howell and Heather [...] America, is one such compa[...] that offers this managem[...] service. PHH will buy [...] *vehicle and handle all the* pr[...]lems of maintenance and rep[...] and at the end of the contr[...] use its selling powers to obt[...] the best return on the car. [...] network of approved deal[...] and associations with ma[...] manufacturers would ens[...] that the best discount and r[...]dual value are secured.

While the motor car mar[...] may have taken the limeli[...] *over the past year there* [...] been a fair slice of progr[...] in other forms of vehicle le[...]ing. Commercial vehicles le[...]*ing is no new venture* bu[...] more aggressive approach to [...] truck market has now be[...] taken by Lombard through [...] "Trucklease" which [...] designed to become firmly est[...]lished in the market before [...] expected upturn later this ye[...] This package will no dou[...] force the sector to become m[...] competitive.

Agricultural equipme[...] while *a major market in ter*[...] of total sales, is basically a r[...] animal as far as leasing is c[...]cerned. But many of the fina[...] *houses* are now seriously c[...]sidering a move into this ar[...] Lombard once again could [...] the first to make any r[...] *impact here*.



The popular Ford Cortina.

VEHICLE FINANCE AND LEASING II

Greater emphasis on management

CAR FLEET management has become an accepted and important function of most sizeable companies. The number of company cars is rising at a staggering rate, as has the actual cost of the motor vehicle and this has resulted in large sums of capital being tied up in the fleet. Companies are under pressure to preserve liquidity ratios so it has become imperative that the high capital outlay is not only put to good use but managed as efficiently as any other part of the business.

Managing a car fleet has therefore taken on a new dimension. The volume of business puts pressure on the manager to find the cheapest way of purchasing vehicles, since capital could be better employed elsewhere in the company. The choice of vehicle has become equally important. The performance of the car, the likely level of maintenance and the prospects for selling it after use must all be evaluated. Not surprisingly fleet management in a number of companies is now dealt with at board level while others have sought the help of independent specialist fleet management concerns that are now emerging in this country.

Without doubt it is the time spent in analysing maintenance costs that is giving most cause for concern among fleet managers. Garage bills are spiralling both in spare part and labour costs. More care now needs to be taken over running cost calculations. Having said this it does appear that much is being achieved, particularly by the manufacturers, to reduce the maintenance costs as much as possible. Improvement in design and quality of components has meant that periods between services are extending. Moreover, the manufacturers are also improving their warranty schemes and this substantially reduces the repair costs for fleet operators over the first and in some cases the second year.

The importance of maintenance has certainly worked in the favour of the British manufacturers. While there is little to choose in reliability between British and foreign vehicles the cost of home produced replacement parts is considerably less than the foreign counterparts and at the same time they are more readily available.

Storesafe's Crane Fruehauf semi-trailer.

Manufacturers in the U.K. have naturally concentrated on the demands of the fleet customer by producing more utility type vehicles that probably have a better second-hand value than the equivalent foreign car. Moreover bulk buying of British cars is more convenient in that vehicles can be ordered off the production line and practically delivered direct to the fleet operator. Importers would not be in a position to match this service given the reluctance to carry high stocks.

It is not surprising then that British manufacturers capture over three-quarters of the company car market while in some cases like contract hire and leasing the figures are even higher. Foreign manufacturers appear to be making greater inroads in the private sector via their heavily subsidised promotion deals.

Advice

The problems now encountered in fleet management has prompted a number of companies to leave the managing to specialist outside companies. These businesses such as PHH, which is a subsidiary of the U.S. group Peterson Howell and Heather, are in a position to offer customers a complete management service. The service offered by PHH is basically two-fold. There is the advice on car policy which applies with or without a leasing arrangement. The vehicle would be ordered using PHH's buying power to obtain the maximum discount. Thereafter maintenance costs are monitored and any anomaly would be ironed out while at the end of the fleet use the car would be sold, again with the benefit of the added muscle. Apart from this PHH can offer an expense payment service which covered the same range of services as the advice on car policy but in addition all the bills would be paid by PHH and passed on in each monthly package to the client. These bills would include purchase or leasing costs as well as the expenses incurred on maintenance.

The scope for this type of service is enormous as the medium-sized fleet users are forced to accept the pitfalls of inadequate supervision. In the past three years PHH's business has grown by 700 to 800 per cent. and at the moment it has some £9m. of cars under management of which £6m. are leased.

The growth in leasing has been staggering with the advantages it offers to cash flow. Leasing companies are entitled to a 100 per cent. allowance in the first year on the vehicles purchased for the purpose of leasing. Companies buying their own vehicles are only entitled to a 25 per cent. capital allowance. The benefit of this 100 per cent. allowance is passed on to the fleet user in the way of reduced rentals. Moreover no major front end commitment on a leasing agreement is required in advance since companies are exempt from the hiring controls so there is no major capital outlay.

At a time when there are intense pressures on working capital requirements, there are distinct advantages in eliminating the heavy capital outlay on new fleets. The capital can be used elsewhere in the business where the return would no doubt be considerably higher. What is more leasing rentals can be charged direct to revenue account as a business expense and as such are fully allowable for tax purposes.

There are basically two forms of leases, the finance lease and the contract hire. The finance lease is really just a financial arrangement. The fleet user finds the car and the finance house pays for the vehicle. Repayment is then made by monthly rentals and the lessee bears the burden of depreciation which is reflected in the pay back balloon when the vehicle is sold. Some protection to depreciation can be arranged by writing in an agreed residual value in the contract.

Contract hire basically relieves the fleet user of all the burden of purchase maintenance and sale. The terms of contract hire can include all the costs involved in purchase (the contract hire company takes the risk of residual values) and maintenance on a fixed price basis. A contract hire therefore allows the company to budget ahead with some degree of confidence.

David Wright

Fleet sales

THE IMPORTANCE of fleet sales to the major motor manufacturers has increased dramatically over recent years. There is no precise way of knowing exactly what the proportion is, but a consensus opinion suggests that it is of the order of 60 per cent., or roughly treble the percentage only 10 years ago. And that is only what the manufacturers know about: there could be thousands more cars bought by the individual but paid for by the firm.

The size of this market has not been lost on the manufacturers who are all out in the market place pitching for their piece of the business. The undisputed market leader is Ford, which sells vast quantities of its Cortinas and Escorts at the volume end, and its Granadas in the executive league.

However, the others are in hot pursuit, taking advantage of Ford's inability to make its desirable motor cars fast enough to satisfy demand: there is now a three months' waiting list for the popular versions of the Cortina, the prime seller. Vauxhall has made an impressive dent on the market with its Cavalier, which is comparable in size, price and overall appeal to the Cortina, and its Chevettes. British Leyland has Marinas, Allegros, Dolomites. Chrysler is moving well, too, with its Avengers and Alpines, the latter proving increasingly popular because at just over 1,400cc engine capacity it falls neatly into a lower bracket for personal tax purposes.

Each of these manufacturers has made its own arrangements for providing finance for its customers.

Ford has the highly successful Ford Motor Credit which, at the moment, is actually being broad-minded enough to finance purchases of other makes of car while the manufacturing side gets over its production problems. Chrysler has Chrysler Acceptances, which is owned 50 : 50 with Mercantile Credit, and Chrysler Leasing System. Vauxhall, which is probably the closest parallel to Ford in that it is strictly an in-house, independently developed operation, has Masterhire through General Motors Acceptances. And British Leyland—the last to enter the business—recently linked up with Lombard North Central, the National Westminster Bank subsidiary.

They have all experienced a good upturn in business since the Control of Hiring Order was relaxed last June, particularly on the leasing side.

Vigorous

The services offered are all broadly similar in that, either directly or indirectly through the dealer network, they offer hire purchase, contract hire or straightforward finance leasing—the latter currently being the most sought after. They are all promoting their leasing services in a very vigorous manner, which is helping to increase the general awareness of the benefits of leasing in a market which is growing but is still a long way behind North America.

However, the services are comprehensive and each of the manufacturers is trying hard to find ways in which to outdo the other and offer just that little bit more. Chrysler, for example has boosted the number of dealers offering lease packages to 122, around 50 of whom offer specialist truck leasing facilities. But, in addition to that, it is possible for a customer to negotiate only one contract to lease, say, 100 vehicles, but which have to be delivered to various parts of the country.

The deal is struck with just one dealer in conjunction with head office in Coventry, and it is arranged for the other dealers in the "system" to deliver the cars. In other words, although you buy from one dealer you get the service of all the others thrown in. This particular manufacturer has also been

CONTINUED ON PAGE IV

Double bonus for distributors

BRITISH-MADE cars are still top of the pops as far as the leasing industry in this country is concerned. This fast growing industry has been relatively untouched by the flood of imported cars that has poured into Britain in recent years.

Foreign manufacturers—led by the aggressive marketing techniques of the Japanese—are now regularly commanding a near 50 per cent. share of the British car market but to date have had little impact on car leasing and contract hire.

A recent survey of British Vehicle Renting and Leasing Association members revealed that foreign made cars have captured only 5 per cent. of this lucrative market.

This must be good news for the British manufacturer with leasing a growing force, particularly in the fleet market—which can be expected to come under fresh attack from foreign manufacturers in the current year, and which accounts for around 50 per cent. of all car sales.

Profits

For the distributors, leasing has provided a double source of profits—first from the actual rental and then from the sale of the car when it is returned to the dealer—at a time when the car market, like the economy, has been stagnant.

The recent survey carried out by the British Vehicle Renting and Leasing Association, showed that leasing and contract hire business increased by 10 per cent. during the period June 1976 to June 1977. This year the Association expects business to increase by at least 15 per cent.

Lombard North Central—houses and banks provides much of the muscle behind leasing—said recently that its leasing interests were growing at the rate of 50 per cent. this

The most recent spur to growth was provided last year with new legislation which provided greater freedom to negotiate leasing and hire contracts. This cleared the way for open-ended contracts while earlier legislation which demanded a ten-month deposit was scrapped—and this new legislation applied not only to corporate customers but also to the professional person using his car for business.

Distributors are now reporting an increasing number of leasing and contract hire agreements with people like doctors, solicitors and even the freelance journalist. Equally, companies are showing a renewed interest in leasing. Particularly those firms which have been unable to pass on the benefit of bigger profits in higher wages and have been looking for alternative means to keep their managers happy—and why not a company car?

But it is the tax benefits—the 100 per cent. write down allowance—that has really set the industry alight. It was the tax benefits which first attracted the finance houses, and more recently the banks, into the industry.

Under the 1971 Finance Act the regulations, covering the accelerated first year write down allowance on commercial vehicles, were broadened to include traders who are genuinely in the business of car hirers. The situation however was only clarified several years later by a test case against the Inland Revenue—brought, and won, by Godfrey Davis.

Previously the distributors had only been allowed to offset the cost of a car against their tax bill at the rate of 25 per cent. a year.

The implications of the Godfrey Davis test case were clear to the finance houses. By taking on the mantle of car traders—and leasing provided none of the hassle of maintaining and servicing the car, unlike contract hire agreements—the houses obtained tax relief which could be set against the rest of its business. And leasing also produced profits in its own right.

Mr. John Tustain, managing director of Auto Leasing, the leasing arm of the BSG group, says that the presence of the finance houses in the industry has provided no threat to the distributors. His company has its own finance house but Mr. Tustain says that smaller distributors, which might otherwise have been forced out of leasing altogether, have been able to get business through their links with outside finance houses.

Inflation

"It is not a question of the finance house or the bank competing with the distributor," he says. "We both need each other. We need the finance house to provide the necessary muscle and they need our marketing experience. They particularly do not want to have to dispose of a flood of second hand cars as leasing contracts come to an end."

The recent buoyancy of second-hand car prices—fuelled by double figure inflation—is another factor which has been crucial to the success of the industry. When a customer negotiates a car leasing contract a residual value of the vehicle is agreed on top of the payment terms. This is simply the second-hand price which the distributor feels he will be able to charge when the car comes back on the market.

In recent years inflation has sent all car prices spiralling so that the second-hand price charged has often been way above the residual value agreed at the time of leasing. This has left the distributors with some pretty profits. Mr. Tustain says: "Certainly in the early days when inflation first took off the profits to be gained from this ready-made supply of second hand cars outstripped the profits from the leasing itself. However residual values have had to chase up new car prices and profits these days are much more in balance."

A major problem, however, could emerge now that inflation is back to single figures and estimates of residual values now prove too high—leaving the distributor with a potential loss instead of a profit.

The greater freedom of contract, won with last year's new legislation, however, has allowed the distributors to write protective clauses in contracts which would cover such an event. This permits distributors to pay out any excess profits made from the second-hand sale to the leasing customer, or, more importantly, to claw back any eventual shortfall from the customer.

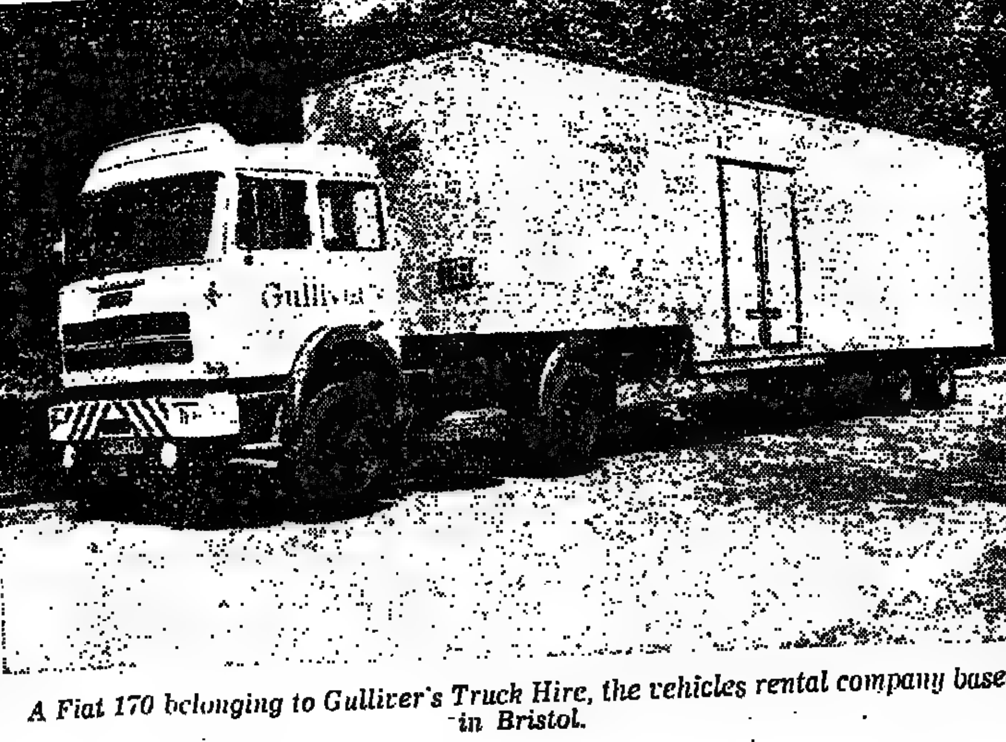
"Most distributors (now that we are able to write open-ended contracts) have covered themselves against a drop in second-hand prices but there are one or two who may find themselves in serious trouble over residual values," said Mr. Tustain.

The fact that British-made cars tend to hold their value better than foreign marques explains to a large extent the success of the British car in leasing and contract hire. "Finance also appears to be more readily available when a British car is involved," said a spokesman for the British Vehicle Renting and Leasing Association.

Spare parts are also more readily available for British makes which keeps service costs down—another point in the British manufacturers favour as far as distributors are concerned, particularly those involved in contract hire which includes a built-in service agreement.

Clearly leasing is here to stay, even if there is a collapse in second-hand values. Moreover British car manufacturers have a head start in this race—but they have had that before.

Andrew Taylor



A Fiat 170 belonging to Gulliver's Truck Hire, the vehicles rental company based in Bristol.

Commercial vehicles

THE COMMERCIAL vehicle market differs from motor cars in a number of important ways. For example, a car tends to be viewed (at least for business purposes) on a two year basis, or three at the most. With commercial vehicles, such as vans and the larger trucks, the average working life is probably more like five years and, at the very heavy end, possibly seven years.

Many vehicles are also custom-built with specialist body and chassis manufacturers offering a variety of different power units. They are also often supplied in the customers' own livery. The vehicles, apart from the way in which the driver inflicts his own personal damage, will be used for different purposes. Two vehicles, with identical specification, might be used in quite different conditions; one will spend its life cruising along the highways and byeways with light loads, and the other may be plunging over rutted, rock strewn tracks with a heavy load. All of these things will inevitably have a bearing on its value at the end of the period and will thus make a leasing company's problem of guessing residual value that much more difficult.

The other major difference is the cost of the vehicle: we are talking about much larger sums of money. The average fleet motr car probably costs something of the order of £3,500. An ordinary van may cost £5,000. At the heavy end of the market the price can be anything between £10,000 and £20,000, depending on its specification, and furthermore that is merely for the cabin and power unit—what follows on behind, whether a flat trailer, container or box, is extra.

Headache

The final headache for the finance company is assessing the creditworthiness of the customer. Some will buy a commercial vehicle as an incidental of his business: that is, he may be a baker, component manufacturer, furniture manufacturer or whatever; merely using the vehicle to deliver his goods. On the other hand, he may be a road haulier, in which case his whole livelihood is based on his truck. And most readers will not need reminding how frequently transport firms go to the wall, leaving creditors high and dry.

In essence, then, the commercial vehicle market has charms which are all its own. But despite all of these problems, leasing is well established in this market and there is every sign that really fierce competition may switch away from cars in time to this sector. At the moment all the major finance houses have a presence, to a greater or lesser extent.

One firm that has already started to go after the business is Lombard North Central, which, having done so well out of its clever Wheelease package for motor cars, has recently introduced Trucklease. In truth, it is not a new market for Lombard at all. But what it has done is to compile a fully comprehensive and attractive manual for the distributors. It highlights with devastating logic, just as Wheelease did, the benefits of leasing to both distributor and customer and in that sense enables the salesman to present a persuasive argument to potential customers. It fulfils the role admirably of a reference work, which means in practice that the salesman ought not to get caught out by any dasty questions that may be directed at him by the knowledgeable buyer. Armed with this piece of sales equipment, it is easy to imagine the distributor dreaming of instantly increased sales volume.

However, whether the other finance houses will woo the distributors with their own seductive versions of Trucklease remains to be seen. What is important is that the commercial vehicle market is a potentially ripe one for leasing.

In common with other pieces of heavy capital equipment, the replacement costs on commercial vehicles have gone through the roof in recent years, making the arguments in favour of leasing as against buying that much more compelling. Estimates indicate that the price of car-derived vans went up by no less than 250 per cent. between 1972 and 1975, and, of course, have risen further since then. At the really heavy end of the truck market, the rise is generally reckoned to have been no less than 300 per cent.

The decision as to whether vehicles should be replaced is always critical, but against this sort of explosion in outlay it takes on an added dimension. Indeed, the choice of whether to change vehicles and, then, whether to buy outright with cash, borrowed money or by hire purchase, is increasingly being taken out of the hands of the traditional transport manager. These are probably now decisions for the Board or finance director.

Leasing does offer a very real and sensible alternative, particularly if the operator is low on taxable profits—such as a smaller haulier may be—against which he can set his capital allowances on the purchase. It also preserves value capital and other credit lines.

The way in which commercial vehicle lease agreements are written tends to fall into two basic types. On the one hand there is a lease/purchase agreement which, to all intents and purposes, is hire purchase, and the other is a buy-back lease.

All that means in practice is that the operator can either take the vehicle at the end of the lease, or he can take a gamble on the residual value at the end of the day with the distributor—and that will be directly related to his treatment of the vehicle and its condition.

Keith Lewis

Extending contract hire

VEHICLE LEASING has been growing at fairly rapid rate for some time now but the industry was given a shot in the arm last June following the relaxation of the Control of Hiring Order. Since then growth has been staggering. One of the major finance houses claims that its car leasing business has doubled since the middle of the year.

The British Vehicle Rental and Leasing Association claims that while contract hire may only have risen by 10 per cent. or so over the past year this growth rate was well outpaced by leasing. It could be argued then that leasing is taking business away from the contract hire specialists. But the contract hire specialists feel, that while leasing is growing faster, it is only an extension of contract hire.

Leasing and contract hire companies are entitled to take advantage of an 100 per cent. first year write down allowances. These benefits are passed on to the fleet vehicle user by way of reduced rental. The lessee or operator is also in the position to offset the rentals against his own revenue as a business expense and are fully allowable for tax purposes. The relaxation in controls then made leasing even more attractive.

Prior to June there was always some doubt as to whether the resale value of a car after leasing could be passed on to the lessee. But since then the Government has announced that businesses are exempt from the controls. Therefore, under a leasing agreement now the lessee stands to benefit from residual value.

Leasing is basically a financing deal. The operator has freedom of choice over the vehicle and the dealer and the dealer and then the services of the finance house are sought to finance the deal. The operator repays the finance house by means of monthly rentals.

The residual value of the car is generally calculated by the dealer or leasing company but if the customer wants to take an interest in the residual value there are opportunities to do so. The lessee guarantees to pay the terminal value at the end of the lease. Any excess over the residual value would be forwarded to the lessee. Lombard North Central achieves this by arranging for a balloon rental at the end of the lease which is matched by the resale value of the car. However, some 5 per cent. of the value is generally held back by the finance houses to avoid breaking the lease status of the contract.

But in times of fast rising second-hand car values the benefits of leasing to the lessee are plain to see. Moreover, since companies are now exempt from the controls there is no front-end deposit required on leasing agreements. Having said this the bulk of leasing companies do insist on a deposit of roughly two to three months rent but this is still considerably less than the previous ten months. As such there is an added boost to cash flow, allowing capital to be utilised elsewhere in the business. There are facilities for the operators to arrange a maintenance agreement within the leasing contract. These can be tailormade to suit most needs.

The Wheelease agreement, for example, covers such areas as routine servicing and repairs to motoring association memberships and insurance.

Under contract hire the purchase of the vehicle and the sale are carried out by the hire company. They in turn estimate the repair and maintenance cost as well as the residual value and the rental terms are fixed. The lessee carries no risk nor reaps any reward from the sale of the vehicle. Contract hire puts a greater emphasis on maintenance and service element of leasing. Since the costs are fixed the operator knows just what his total cost will be during the life of the contract hire and he is able to budget his business accordingly. But the advantages of leasing over contract hire during a period of strong second-hand car prices are high so it is easy to see why the growth in the former has been far more impressive.

The boom period for second-hand car values could however be over. Inflation is now heading for single figures and second-hand car prices are expected to settle down to traditional patterns. Any sharp downturn in prices could leave a few scars. Certainly the operators would catch a cold under a leasing agreement since they have to guarantee the residual value. Apart from an overall dampener on the leasing industry the finance houses would not suffer since they are not involved with the car apart from financing. On contract sharply lower car values could knock the hirers initially but since there is no risk to the operators in this form of leasing, contract hire would offer more confidence to the operator than straight finance leasing.

Having said this it is not expected in the leasing industry that there will be any major disasters in the event of a drop in second-hand car values. The lessors are now becoming very prudent when calculating the residual values. Moreover, since inflation has been checked it is a far easier task to cost maintenance and repairs.

Caution

Most leasing companies now err on the side of caution, and aim for a residual value of around 50 to 55 per cent. after two years. It is likely that there will be only half the number of manufacturer price rises in 1978 as there was in 1977.

A recent survey of all the major lessors views on residual values showed that on average the estimate after one year was 75 per cent. falling to 49.5 per cent. after two years and 30 per cent. after three years.

By and large then realistic residual values are being quoted but there is concern over a fringe element in the industry that are putting false residual values on high value cars. What is basically happening here is that only a nominal residual value is put on a luxury car after a two year lease—the high rental charge in the meantime has been offset against tax. At the end of the leasing agreement the car is then sold to the employee of the lessee for a nominal residual value thereby allowing a sizeable tax free capital gain.

This practice apart the leasing industry seems to be taking active steps to avoid the pitfalls of a weak second-hand car market. While it is true that sizeable profits had been made by dealers, contract hire companies and the lessees on car disposals during the period of very high inflation the stance now being taken on residual values is encouraging.

D.W.

THE BENEFIT OF LOWER CASH FLOW FROM LEASING A £3,000 CAR

Comparative Cash Flow for	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	5th Quarter	6th Quarter	7th Quarter	8th Quarter	9th Quarter	Subsequent Periods	Totals
Outright purchase	3,091	3,185	3,281	3,380	3,482	3,588	3,697	3,203	1,703	1,099	
Leasing	446	726	1,014	1,311	1,617	1,932	2,257	1,714	1,714	1,150	
Net difference	2,645	2,459	2,267	2,069	1,865	1,656	1,440	1,489	11	51	
Net return at ½% per month from investing net difference	40	37	34	31	28	25	22	23	0	2	237
Tax relief on net return								74		49	123
Net benefit											114

Most companies can utilise the "Net Difference" in cash flow for investing in their primary area of operation.
The benefit from choosing to lease can be quantified by applying the difference between:
(a) the company's required investment rate (in this example 1½% per month), and
(b) the company's borrowing cost (in this example 1% per month) to the "Net Difference" in cash flows.
The net benefit of choosing leasing rather than outright purchase for a company requiring a net return of ½% per month (1½%-1%) is as shown. *Source: Lombard North Central.*

Fleet

CONTINUED FROM PAGE II

offering free replacement in the first year for such parts as shock absorbers; brake pads or linings, and exhaust systems, regardless of mileage.

It is just as well that the U.K. manufacturers are alert because, of course, the foreign manufacturers have also mounted an invasion on this booming business. Probably the biggest potential threat is from the Japanese, and Datsun in particular. The company recently formed a new leasing company through which it was intended to tap the market, but political pressure to curb imports of cars from Japan has put a temporary block on their plans. However, the time cannot be too far away when that obstacle will be overcome and the appeal of their competitively priced, reliable cars will be emphasised on the public. The other point is that, while competitors may criticise Japanese engineering and refinement, they are often hard-pressed to match the ability to deliver the goods in sufficient quantities.

Threat

But perhaps the biggest threat at the moment comes from Continental Europe. Fiat, for example, in a recent recruitment advertisement boldly declare that "we are poised to mount an all-out sales drive in the U.K. fleet sales market." It has the right cars for the market — the 1,300 and 1,600 cc Mirafioris, and the 2,000 cc Fiat 132 — which are again competively priced, reliable and, more importmant, available.

Fiat has boosted its sales in the U.K. to around 70,000 units from 48,000 in just two years, of which an estimated 20 per cent. were for business use. The introduction of Fiat's Leasecover plan is fully backed by its distributorships up and down the country and there is a novel "credit card" style system which enables the customer to approach any of the outlets in th eevent of trouble. The faults rectified on credit.

But even on the domestic side Fiat is posing big problems. It is currently offering finance for hire purchase at the rate of a flat 3 per cent. per annum on its Fiat 128.

Elsewhere, there is a big attack on the executive car market. Peugeot, Audi, BMW, Volvo and Lancia are eating away ferociously at what has been the traditional preserve of the likes of Rover, Jaguar, Triumph and the bigger Fords.

Keith Lewis

NEW GOVERNMENT REGULATIONS COULD STOP YOU BUYING AN AUDI 100.

Last year, the Government changed the rules controlling the leasing of cars for business use.

So, we no longer have to ask for 10 months charges in advance. In most cases, we're now able to settle for just three months.

For example, you could drive off in a brand new Audi 100 automatic by paying us just £500.* (Which is less than half the initial payment on a normal HP scheme).

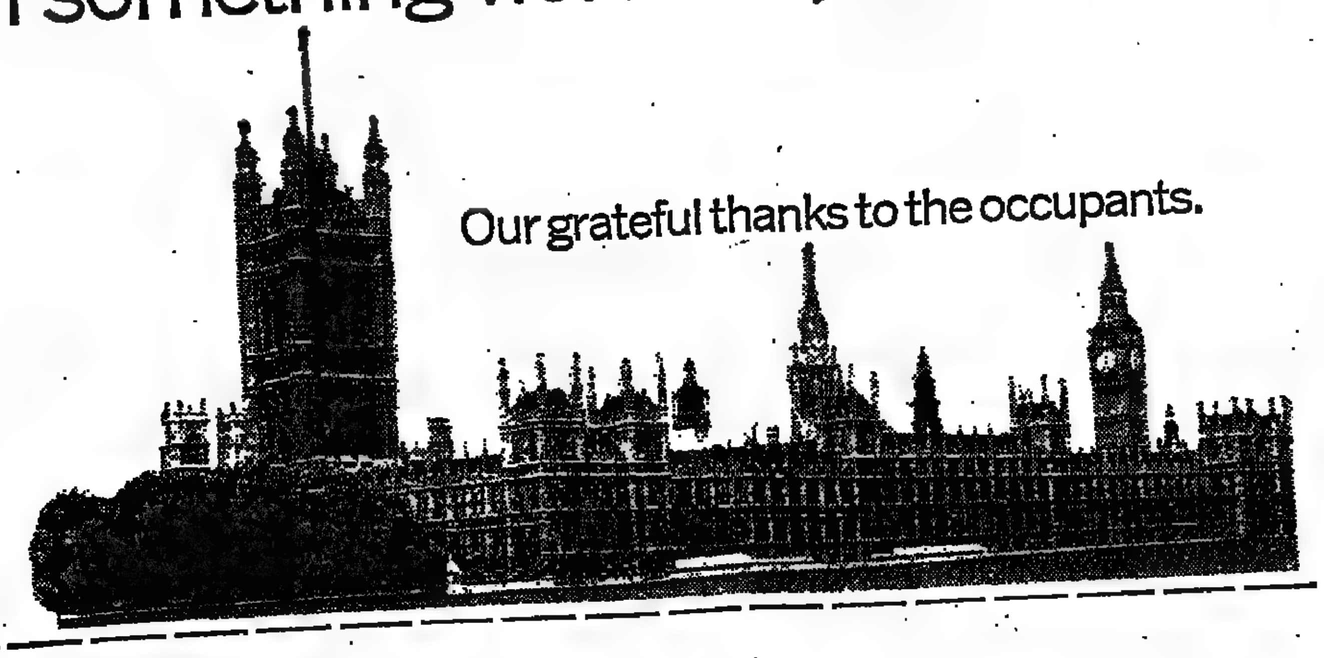
From then on you can pay a monthly rental which can include all your maintenance costs.

You don't have to worry about depreciation, either.

And the entire cost of leasing can be set against tax. Which can halve the real cost to you or your firm.

We hope you'll take advantage of this new situation by sending us the coupon below.

After all, it's not every day a Government regulation lets you drive off with something worth £5,580 just by paying £500.



Our grateful thanks to the occupants.

I'm interested in leasing. Please send me details of the car(s) I've ticked.

☐ Audi 80 ☐ Audi 80 Estate ☐ Audi 100 ☐ Audi 100 Avant ☐ VW Polo ☐ VW Derby ☐ VW Golf ☐ VW Passat ☐ VW Scirocco

Name ________ Position ________ Company ________

Address ________

Cut out and send the coupon to: AUF Leasing, Volkswagen (GB) Ltd., Volkswagen House, Brighton Road, Purley, Surrey.

*This cost is based on: Audi 100 LS Automatic £5,580. Figure also includes 40% buyback at 36 month stage. Terms quoted subject to acceptance by our leasing company, AUF leasing, and subject to the provisions of the Control of Hiring Order (1977).

The newcomers make their mark

LEASING IS HARDLY a new concept in financing, but this hardly seems the case when applied to motor-cars, judging by the sales performance of the leasing companies over the past year. There are two reasons for the recent upswing in car leasing. One is the tax benefits of leasing. An industrial company cannot write-off the cost of a car purchase in one go. It has to depreciate on the basis of 25 per cent. a year.

But the efforts of two test cases, first by Ford Motor Credit and second (the one which really sealed it) by Godrey Davis, established that a leasing company could write-off the full 100 per cent. cost of a vehicle in the first year. This benefit can then be passed on to the lessee in the form of lower monthly costs.

The second factor is significant to cash flow. The relaxation of the Control of Hiring Order by Mr. John Fraser, the Minister of State for Prices and Consumer Protection, meant that the lessee no longer had to fork out an initial payment equal to ten monthly instalments before he could sign up a lease. Admittedly there is still a front end leading but this is open to negotiation and usually amounts to the equivalent of three or four months payments.

Although there are no hard and fast statistics to prove exactly how fast the car leasing market is expanding, it is not too hard to get a very good impression.

For example, the Equipment Leasing Association produces annual figures which show an impressive trend. In 1977 members of that association purchased £57m. worth of cars for leasing. The figure in 1976 was a mere £6m. At the end of 1977 members of the ELA had £99m. of car assets (at original cost) out on lease.

This is by no means the whole story. The ELA has 35 members, and although they claim to account for around 90 per cent. of all the finance leasing business transacted in the country, there is still a lot of business outside their parameters. Much of the growth is coming from relatively new entrants into the market, and members of the British Vehicle Rental and Leasing Association, which has around 550 members, are obviously doing a lot of leasing business.

Talking to people in the trade one gets the same buoyant picture, although many play down the extent of the growth in recent months. Possibly there is an element of double counting. A finance company may claim to have leased 500 cars and the dealer who handled the lease may be claiming the same 500. But even so such cases cannot be having much impact overall.

Banks

Lombard North Central, the largest of the vehicle lessors, has seen its car leasing business double over the past year. Banks have become more involved: for example the Royal Bank of Scotland only became involved in car leasing last September but already it reports good business.

Moreover, some of the large motor distributors have set up their own finance companies especially for leasing. Wadham Stringer, the British Leyland dealer, has set up Wadham Stringer Leasing.

This subsidiary comprises of two finance companies handling leasing and one for "old fashioned car hire." Stuart White of Wadham puts down all the talk of dramatic increases in car leasing, but he too has to admit that his profit last year was 400 per cent. up on target. But in fairness it was only the second year of operation, so perhaps, as he points out, it was the target that was suspect. But even so it is a good indication as to how the market has been expanding.

Understandably financial institutions such as the banks have been quick to push into leasing, especially since 100 per cent. first year allowances became accepted. There is little point in having tax allowances unless you are earning profits, and so the banks and finance houses with substantial profits and little to offset against corporation tax (compared with industrial companies) were enthusiastic when presented with the possibilities of leasing.

Banks find leasing very profitable business, particularly so when many other forms of financing remain flat. Industry is holding back on capital investment, and leasing has presented the financial institutions with a good chance to boost their business.

But leasing is a two-way street. While it may be profitable for the financial institutions it is also a very useful tool in financial management for the lessees. If a fleet operator buys his own cars he can claim tax allowances, but that may not prove valuable if his company is paying little or no mainstream corporation tax. And this could be the position for many companies which face no tax liabilities thanks to the Chancellor's deferred tax concessions. It may be better to have the finance company make use of the tax concession and the user take the benefit by paying loss per month for the vehicle.

As the leasing concept expands, more people are encouraged into the leasing business, but it has also encouraged the "fringe" operators. These are bringing the industry into disrepute and are also focusing the attention of the Inland Revenue on the whole leasing concept.

Complaint

But it is not only the "fringe" operators that the older established car hire firms object to. Finance houses are also their target for complaint. Banks are not in the hire business, and the older hire businesses, such as Godfrey Davis, take a dim view of their involvement.

The finance houses only handle the financial aspects; it is still the dealers who are at the risk end of the motor business. For example, if a car is leased from the Royal Bank of Scotland a residual value is pitched which represents the final payment from the lessee to the bank. If that figure is £1,000 and the car is sold for £1,500, the lessee would receive a susbtantial rebate—perhaps 90 or 95 per cent.—of the balance of £500. If the vehicle sold for £900 the lessee would have to make the sum up to £1,000 to pay off the bank. So,

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Trailers prove an ideal market

IN THE same way that leasing has caught on as a method of financing car and commercial vehicle fleets it is being taken up by the trailer buyers. Demand for trailers showed a marked increase last year and U.K. production rose by almost 50 per cent. to 17,172 units. This brings the industry back to the sort of output achieved in the early 1970s.

When the recession set in the trailer makers turned to exports to try and hold profits, but last year exports remained steady at 3,387 units so all the growth came from the U.K. market. The sort of effect this can have on profits was demonstrated by York Trailer only a couple of weeks back. A record pre-tax profit of £2.74m. was achieved in 1977—130 per cent up on 1976—and way ahead of a forecast of £2.2m. which was made only a few months ago.

While the trailer market is fast expanding leasing is expanding with it. Crane Fruehauf suggests that around 60 or 70 per cent. of trailer purchases are financed by third parties in some way. The figure is probably a lot higher as CF can only detect third party involvements in many cases by where it sends its invoice.

Of that amount which is financed CF says that over half of its own financing is by way of leasing. This proportion has been increasing rapidly rising to its present level of getting on for 60 per cent. compared with about 20 per cent. only three years ago. Crane Fruehauf reckons that at present it has some 5,000 trailers out on lease contracts.

Trailers are ideal for leasing. They have long life and maintenance costs are relatively limited compared with trucks. Also they are fairly easy to dispose of at the end of the lease unless they are specialist vehicles and second-hand values hold up well.

Basically a trailer buyer is faced with four alternatives. There is the direct cash purchase, but this can be a costly business. Trailers cost at least £3,500 and for that there is only a very basic flat bed unit. For more-sophisticated trailers, such as refrigerated units, a haulier could pay up to £15,000, possibly £20,000. So buying a fleet of those is not taken lightly. Certainly fleet costs can gobble up the cash flow. Most buyers probably turn to their banks for finance, but for those not wishing to take an outright purchase through a bank loan or hire purchase there are three alternatives.

Allowances

Many U.K. companies are paying little mainstream Corporation Tax because of stock appreciation relief and other allowances which can be offset against the tax bill. So it may prove more cost efficient to let a leasing company utilise the tax allowances and pass it on to the lessee in the form of lower monthly charges.

Many of the leases are arranged on a full payout basis. This means that at the end of the lease period—three, four or five years, and sometimes longer because trailers have a longer life than cars or trucks—the lessee has the option of holding on to the trailer at a peppercorn rental. That is a very nominal monthly payment as the lessor has already recouped the full cost of the trailer plus the interest charges during the term of the lease.

There has been a trend towards more and more open-ended leases. This is where the depreciation rate on the trailer is agreed by the lessor and lessee at the outset and at the end of the lease the trailer is sold and both parties share in the profit or loss made on its sale relative to the written down value.

Closed end leases are also an option open to the lessee. This is where the trailer is taken back by the lessor at the end of the lease. Crane Fruehauf says that this aspect of leasing is increasing though it is fairly small in the trailer business and it is one which must put leasing companies at some risk. At the outset of the lease contract the leasing company will calculate what sort of residual value it can put on the trailer—that is its value at the end of the lease. If the leasing company gets its sums wrong it could mean that the actual value of the trailer is below its estimates. This would mean that the charges made on the lessee were pitched too low, and profits would suffer as a result.

Dominated

The hauliers are taking more and more leasing finance into their trailer fleets as an easy and convenient way of financing capital equipment. The trailer leasing market is dominated by a few big names. Trailer manufacturer Crane Fruehauf, which has its own finance company, and Transport International Pool are probably the best known names in the field. Both are subsidiaries of U.S. companies. Crane having been taken over by the U.S. Crane company at the end of 1977 after a hotly contested bid battle which had dragged on for over a year.

Another specialist in the field is Eurotrec which is part of Tradex Financial Leasing.

York Trailer, on the other hand, does very little leasing business off its own bat these days. The company did operate a leasing operation for customers but this was mainly set up for the purpose of utilising the tax allowances. However, with deferred tax for stock appreciation York had little in the way of Corporation Tax to pay and so the leasing operation has been phased down as far as new business goes.

But, of course, leasing is not the end of possibilities. Contract hire or straight rental must be considered by the "buyer." Contract hire can come in various guises and the only major difference from leasing is that the trailer goes back to the owner and is not sold and the proceeds shared out by way of a rebate. Contract hire can be linked with full maintenance, tyre replacement and the Department of Environment certificate of road worthiness.

The boom of contract hire is that the trailer can be taken on for a set period of time and then returned. This is ideal when the haulier has a set contract where he knows for how long he will require extra trailers.

Assuming that the contract hire runs for a reasonable length of time the haulier can even have the trailer in his own livery if he wishes. To the outside world the trailer has all the appearance of belonging to the hirer.

The final option open to the haulier is trailer rental. This is common in the haulage industry. The length of time involved can be anything from a day up to several years. The benefit to the haulier is that he can match the number of trailers with the workload almost on a daily basis. This is particularly useful if a contract ends prematurely. As soon as the trailer is returned to the hire company the cost of the rental stops. Therefore the haulier can avoid having trailers sitting in his depots idle.

Rental can be used to smooth out the trought and peaks of a haulier's workload. It also helps the fleet operator in that he can predict his costs fairly accurately and keep them in proportion with his workload. So the haulier should be able to find a lease, rental or hire arrangement to suit his needs. There is a lot of flexibility and the individual can almost get bespoke arrangements.

As for pure leasing there seems no reason why this should not continue to grow in popularity in the trailer industry. In the U.S. it is clearly established as a method of financing trailers and it seems very likely that the U.K. will follow suit.

Terry Garrett

Assessing the tax advantages

THE CURRENT boom in car leasing activity owes almost everything to an important but little publicised case before the Special Tax Commissioners late in July 1975. In this it was held that motor cars leased out to companies could qualify for the 100 per cent. capital allowance in the hands of the lessor. Up to then the Inland Revenue had been claiming that leased cars were the same as ordinary cars owned by companies and only qualified for the far less attractive 25 per cent. annual write-off. To add to the excitement, the decision meant that, unlike owned cars—where there is a restriction of a maximum annual write-off of £1,250—there would be no restriction on the amount of an annual leasing charge which lessee companies could deduct in establishing taxable profits. And if that was not enough, there is the added bonus that where the car is also used privately by the employee his taxable benefit is limited to the not-so-harsh taxable benefit scale laid down by the Inland Revenue for all cars.

Not surprisingly, little has been heard or written about this decision of the Specials, apart from articles in the more erudite tax journals in the past year. As these things go, those who first became aware of the decision did not wish to publicise it, while the Inland Revenue's decision not to take the matter to court could be taken as an indication that it, too, did not want to attract too much attention to this very considerable opportunity. In any event it probably was not until last year that the car leasing industry was taking full advantage of the change of policy. But the extent to which it was being exploited by the end of last year led to fears within the industry that the Chancellor would take steps in this Budget to restore the status quo, or at least to outlaw some of the more blatant tax avoidance schemes associated with car leasing. Perhaps it was this most of all which contributed to the big increase in car sales for March this year. Much to the relief of the leasing companies Mr. Healey had nothing to say about leasing, though his almost unprecedented action against one artificial tax avoidance scheme might be taken as a warning of what could yet be done.

Some tax accountants believe that, although the boom in car leasing tax avoidance schemes has been much talked of among the *cognoscendi*, the full extent of what is going on may not yet be appreciated within the Inland Revenue, given that most business people are far less open with their tax inspectors than with friends. This may be true to some extent, particularly because there is always a delay between the use of tax avoidance schemes and their discovery, perhaps at least two years later, when computations are submitted for agreement. There is then the extremely time-consuming problem for the taxmen of following transactions through and proving that, for example, an employee has received more taxable remuneration that he declared. But given the investigative attitude of the new high-profile Inland Revenue it would be foolish indeed to imagine that any widespread abuses will escape attention for more than a few years. More immediately, there is always a possibility that amendments dealing with this area will yet be forced into this finance Bill by tax-avoidance-conscious Labour backbenchers such as Jeff Rooker, one of the rebels who successfully proposed higher personal tax allowances during the committee stage of last year's Finance Bill.

The basic rule about company-owned cars is that they qualify for a 25 per cent. annual writing-down allowance, which may be deducted in lieu of depreciation in establishing the annual tax charge on a business. But where a car costs more than £5,000 there is a restriction in the annual write-off to a maximum of £1,250, though the car may be fully written-down within this limit.

Restriction

Equally, where cars were leased which had cost more than £5,000 there was a restriction on the allowable annual leasing charge to the proportion which £5,000 plus 50 per cent. of the excess cost over £5,000 bore to the total cost of the car. So for example, in the case of a car costing £9,000 with an annual lease charge of £3,000 the calculation was:

$$£5{,}000 + £2{,}000 \div £9{,}000 \times £3{,}000 = £2{,}333$$

But all of this went out of the window with the decision of the Special Commissioners.

The decision hung on whether leased cars fell within the Finance Act 1971 definition of:

> "... vehicles provided, wholly or mainly for hire to, or the carriage of, members of the public in the ordinary course of a trade ..."

The Commissioners decided they did, and so qualified for 100 per cent. first year allowances like plant and machinery. But obviously a leasing company would have to be doing business with a reasonable number of customers to be regarded as leasing cars "in the ordinary course of trade."

The Commissioners decision was a major break-through for the leasing companies. It means that there may often be no choice for a company between buying a car for business use, or leasing it. In the first case the car attracts a capital allowance of 25 per cent., and this is restricted to a maximum annual charge of £1,250. In the second, the car qualifies for 100 per cent. allowances immediately in the hands of the lessor, and in discounted cash flow terms should cost considerably less.

The abuses which have crept into this wonderful bonanza for leasing companies involve the use of option purchase schemes whereby an employee of a company or a connected party is allowed to buy the leased car after say two years at a price which can be a lot lower than what he then sells it for on the used car market. The object is simply to put an untaxed lump sum into the individual's hands.

Not surprisingly, such blatant and artificial tax avoidance is frowned on by reputable tax accountants and leasing companies. Frank Smallman of chartered accountants Thornton Baker comments, for example: "There is no doubt in my mind that if the Inland Revenue were in possession of all the facts such an employee would be chargeable to tax under Schedule E either under the normal rules or under the benefits provisions." Without doubt, this is also the Inland Revenue's view. All that prevents it taxing such gains is access to the necessary information.

Another aspect of this business is the basic rule in the tax laws that business transactions should be conducted at arms length. If a leasing company parts with a car at less than its market value it might be possible for the Inland Revenue to assess the company for what should have been the sale price. Again, where option schemes involve the transfer of a car to an employee after a short period, the tax authorities might be able to say that the car was really stock in trade, rather than a fixed asset qualifying for a 100 per cent. first year allowance.

So much for leasing. What about the rules for taxing employees who enjoy the very considerable fringe benefit of having cars proided wholly, or partially for private use? There are three situations to be considered. Where a car is provided wholly, or substantially, for private use. The Revenue will not regard business use of a car as "insubstantial" if that use exceeds 10 per cent. of its total use in a tax year. The benefit asessed is based on 20 per cent. of original cost plus running expenses apportioned on a mileage basis.

	Under 4 years £	Over 4 years £
Up to 1300cc or £2,500	190	130
1301 - 1800cc or £2,500-£3,499 ...	250	165
More than 1800cc or £3,500-£8,000	380	255
£8,001-£12,000 ...	550	365
More than £12,000	880	585

Based on cylinder capacities where available, otherwise on original market values up to £8,000. Above £8,000 based on value.

Cars provided for business use but available for private use. Here the charge is at a flat rate according to tables issued by the Inland Revenue. The flat rate includes the car's running expenses and the extent to which the car is used respectively for business and private travel will not normally be of consequence.

Pooled cars will not be treated as being available for private use by an employee, provided the following conditions are met:

(a) the car must have been included for the year in a car pool for use of employees or one or more employers and actually used by more than one of those employees by reason of their employment and not ordinarily used by one of them to the exclusion of the others, and

(b) any privte use of the car in the year by an empoyee was merely incidental to their use of it, and

(c) the car was not normally kept overnight on or near an employee's residence.

Michael Lafferty

Newcomers

CONTINUED FROM PREVIOUS PAGE

the established car hire firms say, the financial institutions are at no risk.

A dealer leasing a car would take it back at the end of the lease. If he had computed the residual value wrong and made an effective loss, that would be his own hard luck. But on the other hand if the actual value was way above the residual figure the surplus would boost his own profits when the car was sold. It is unlikely that a rebate would be given to the lessee.

In the last few years second hand car prices have shot up, reflecting the rising cost of new vehicles, and so few dealers have been caught out: rather the opposite, there has been a good boost to profits.

However, second hand car prices are not going to rise as fast over the next couple of years. If leasing arrangements had been completed, basing a residual value on the sort of growth seen in car prices in recent years, there could be some nasty shocks in store for the lessors and lessees if actual values do not match residual estimates.

Car leasing is profitable for the lessor and can be convenient for the lessee, but there are those, referred to as the "fringe" operators by the establishment, who are using leasing as a way of tax avoidance. There are variations in the schemes being marketed, but the most common theme runs like this. The lease is normally short but not less than two years. A large front-end loading is paid by the lessee—normally six to ten months—which can be up to half the cost of the vehicle. Then the lessee pays the monthly instalments. The car is used by the lessee, but at the end of the lease either the employee using the vehicle or someone else within the company has the option of buying it for perhaps 10 per cent. of cost. In practice an employee can be buying a £20,000 car after two years for perhaps £2,000—obviously well below market price.

So the lessee company is paying 90 per cent of the value of a car over a couple of years without the benefit of a residual rebate, and the employee is acquiring an asset which will enable him to make a substantial capital profit on its sale — a tax-free profit.

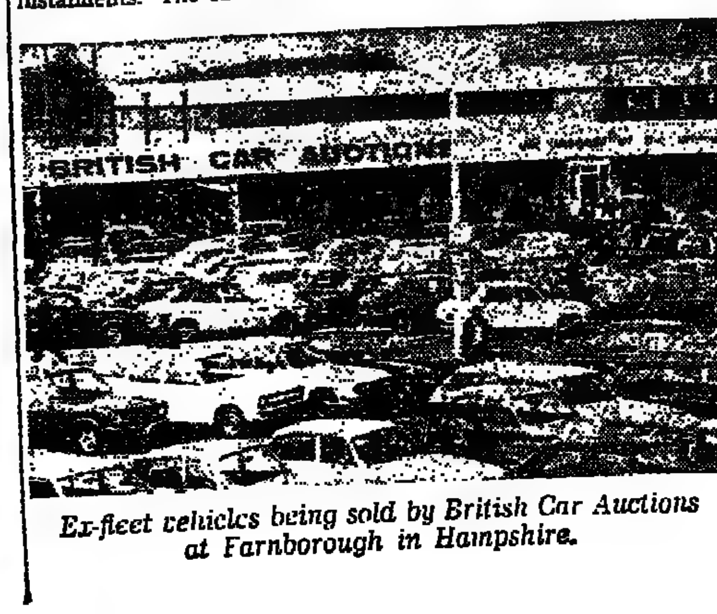
Other schemes centre around wealthy individuals acquiring assets to lease and utilising the first-year allowances to offset tax bills.

The chairman of the Inland Revenue, Sir William Pile, has already made it obvious that the Revenue is opposed to such schemes which are basically no more than tax evasion dressed up to be legal.

Some had thought the recent Budget would contain specific details on the tightening up of leasing, but the Revenue might well be able to move against these dubious schemes within their existing powers — perhaps by taxing the employee who benefits under Schedule E (concerning benefits in kind). There are also avenues open for the Revenue to have a go at the leasing company direct.

The feeling is that the Revenue will act soon to establish a tax case. The only fear among the respectable leasing companies is that the authorities will use a "sledgehammer to crack a walnut." That could be bad news for the whole industry.

Terry Garrett



Ex-fleet vehicles being sold by British Car Auctions at Farnborough in Hampshire.

Buying privately

THE STAGGERING escalation in the cost of both new and second-hand motor vehicles over the past couple of years has made it even more important that the private individual seeks the best form of finance when making a purchase. Having said this it is still apparent that the average man in the street not only has a limited knowledge of just what type of finance is available but is also prepared to take just what is offered by the dealer regardless of the eventual cost.

The Consumer Credit Act is designed to overcome this problem. The Act not only gives consumers greater protection when borrowing money but it also gives them the opportunity to make a proper judgment of what each financing scheme will cost.

All finance and credit companies will now have to reveal just what it costs to borrow Under the "truth in lending" provisions the total cost of the credit must be given. Regulations have been introduced which specify just what should be included when the total charge is worked out. In the past certain charges and intial costs could be omitted and this, of course, would make the eventual repayment more than disclosed. To give the consumer an even clearer picture of just what the credit is going to cost, the Act stipulates that all interest charges must be shown at the real rate as well as the flat rate.

Credit

Instalment credit can be made to look far more attractive by just quoting the flat rate of interest rather than the real rate. The flat rate is the actual amount charged per annum on the original amount borrowed and takes no account of any capital that has been repaid, which is how the real rate is calculated. If £2,000 was borrowed for a period of two years at a flat rate of say 15 per cent. the amount of interest charged would be roughly £300 per year. But since half the capital amount would have been repaid after one year the second £300 interest charged would be based on a capital owing amounting to £1,000 — a rate of 30 per cent. The more capital that has been repaid the higher the actual or real rate of interest becomes. A rough guide to the real rate of interest on a two-year loan is twice the flat cost less 1 percentage point; a flat 15 per cent. therefore becomes a real rate of 29 per cent.

A standard measure of interest rates will make it considerably easier for the consumer to make comparisons between each form of credit that is available.

Under the Act the consumer is also given greater protection when seeking finance. Reference companies must now be licensed. Morever, consumers will now be entitled to see just what the credit reference companies have about them on their files. What is more the consumer will have the right to point out any error of fact on the file and this would need to be corrected by the agency. Since the bulk of finance companies use these reference agencies and loans can be granted or refused on their content the importance of this development is plain to see.

Another important section of the Act is that covering the so called "extortionate credit bargains." The consumer is protected from being charged excessive rates. The courts have the power to reopen any credit bargain which requires grossly exorbitant payments or in other ways grossly contravenes ordinary principles of fair dealing.

By far the cheapest form of finance around at the moment for new cars are those offered by the manufacturers through their dealers, as part of a special promotion campaign. Up to now it has mainly been the foreign manufacturers who have been active in this form promotion. While the schemes are often only linked to one model, and then for a limited period, the savings can be enormous. Fiat is currently marketing its 128 with credit available at only 3 per cent. flat (under 6 per cent. in real terms). Lancia, until the end of this month are offering 6 per cent. flat (under 12 per cent. over two years) while other foreign manufacturers have similar schemes in the pipeline.

These schemes have no doubt forced the finance houses to be more competitive in their general HP business. This fact together with the fall in interest rates has resulted in a sharp decline in HP rates over the past year or so. Another factor behind the decline in rates now being charged to the consumer has been the reduction of commissions now being taken by the dealers for HP business. This benefit is now being passed on to the customer.

Commission

If the dealer is taking some commission on the H.P. business the rates of interest would be about 11 to 12 per cent. flat (about 21 to 23 per cent. real) on a new car. If this commission is not taken then the rates could be as low as 8 to 10 per cent. flat (15 to 19 per cent. real). These rates, of course, are mainly given by the major finance houses but the customer can, in most cases, ask the dealer to act with any particular finance house.

It must be stressed, however, that these rates are only applicable to new cars. Rates on second hand cars vary according to the age of the vehicle. Rates here could range from about 14 per cent. flat (27 per cent. real), for a one year old car to about 20 per cent. flat (about 39 per cent real) for a car over five years old. All these rates quoted could fluctuate slightly following the recent increase in MLR.

While concentrating on H.P. agreements it is worth pointing out that they are governed by certain restrictions which are regulated by the Government. At the moment there is a requirement of a third deposit while the repayment period is a maximum two years.

Despite the relatively high cost of H.P. this form of finance remains the most widely used scheme, purely because it is the most readily available and requires the minimum amount of effort and fuss to obtain.

Some of the finance houses also offer financing schemes linked to the two main motoring organisations. Mercantile Credit has a scheme linked with AA members while Lombard North Central operates in conjunction with the RAC.

AA members can obtain a fixed term loan with the Mercantile at a rate of 9 per cent. flat which for a loan over two years—the maximum permitted for the purchase of a motor car — works out to a true interest rate of 17.5 per cent. per annum. There is also a continuous credit scheme whereby further advances can be made when part of the loan had been repaid. Interest rates here are 1.6 per cent. per month equivalent to a true annual rate of 20.75 per cent.

The RAC loan terms are 9½ per cent. flat, roughly 18 per cent. true rate, for periods up to three years no matter what the goods are, although in the case of cars the repayment period must be a maximum two years.

Apart from the special ma[illegible]facturer schemes already m[illegible]tioned the best form of fina[illegible] is through the clearing ba[illegible] The cheapest credit here [illegible] through an overdraft and [illegible] rate of interest charged h[illegible] varies from 3 to 5 per c[illegible] above base rate (curre[illegible] standing at 6½ per cent.). Th[illegible] are true rates that are [illegible] charged on the outstand[illegible] balance. However, most ba[illegible] would need some form [illegible] security (shares, insura[illegible] policies or property) for a s[illegible]able overdraft. In the circ[illegible]stances, the bulk of ba[illegible] managers would suggest a p[illegible]sonal loan but the rates h[illegible] are competitive. While [illegible] rates on personal loans v[illegible] from bank to bank they aver[illegible] out at around 7½ to 8½ [illegible] cent. flat, equivalent to ab[illegible] 14 to 16 per cent. in real ter[illegible]

From these few illustrati[illegible] the variations it can be s[illegible] that interest rates charged [illegible] a motor car purchase [illegible] enormous. It pays to sh[illegible] around. A little effort can s[illegible] a lot of money.

D.

Road hauliers

DOUBTLESS THE road haulage industry has faced one of its toughest trading periods ever in recent years. Although it appears contrary to the free enterprises style which surrounds the industry, some of road hauliers have called for a restriction of competition to ease their plight. Others, however, argue that it is the hauliers own inefficiency which is the root of the problem.

Gloom in this sector was neatly summed up by Mr. Peter Thompson, chief executive of the National Freight Corporation, in a paper some months back to the Chartered Institute of Transport.

He claimed that the industry was declining in size and in numbers employed, fragmenting, not making sufficient returns to reinvest and offering a poor employment package compared with industry as a whole. Though he believes the haulage industry is becoming more efficient, thanks to improved technology, this benefit is passed on to the customers in lower prices rather than helping the industry. The root cause of all these problems can be found in the tough competition which dominates the sector.

Licences

Mr. Thompson's recommendations to improve the hauliers' lot were based on three lines of attack. He wanted the number of new licences granted to operators restricted by some overall governing body at a time when over-capacity was causing the industry problems. Also, there should be a structured rate system stipulating the minimums, though the system of recommended rates has only just be dropped by the Road Haulage Association under pressure from the Office of Fair Trading. Finally there should be a tightening of the restrictions which enable "own fleet" operators to directly compete with the established hauliers.

Certainly these protectionist arguments would help inject better profits into the haulage sector, but not all interested parties would go along with them. The Government for one does not appear to have taken too much notice of the hauliers' cries of anguish.

Indeed the fleet managers can see even more problems on the horizon, and some uncomfortably nearer. Harmonising with the EEC is certainly a problem. The eight-hour EEC driving day will undoubtedly lead to higher costs when it is finally adopted while the use of the dreaded tachographs, or "spys in the cabs" as the drivers have coined them, could send some managers grey.

Also there is the EEC's ambition to tax lorries by axle weight rather than unladen weight, which could cause another dramatic jump in excise duty for the heavier vehicles.

But it is not all gloom. After all, the hauliers have survived one of the longest and toughest recessions and even though there have been casualties the worst is probably over, though 1978 is unlikely to be a year of much rejoicing. A good increase in industrial activity would be needed to put a smile on the haulier's face.

CONTINUED ON NEXT PAGE

Decisions for the lessee

E MANAGEMENT pressures ing owners and operators of hicle fleets have multiplied idly in recent years. Little re than a promoted lorry er 20 years ago, to-day's nsport executive is a man et by a myriad of complex sophisticated decisions nding an ever wider range expertise and managerial ll.

ake for example just some the laws governing the con- uction and maintenance of icles. Over the past decade se have become lengthier and re complicated with the nalties for infringement vitably that much more erous, especially in relation commercial vehicles. The us of attention centres rently on the pressures for enforcement of maintenance d overload laws — including e distance that vehicles might diverted for checks to be ried out—to be tightened.

Then there are laws on deploy- nt. These have become notice- y more complex, so much so fact that in order to cope th the present situation many erators have had to appoint ll-time specialists in this field. affic regulations, route pro- bition and loading and un- ding bans have become so gled that delivery and parture schedules are getting se to a point where actuarial ills could be usefully em- yed.

These problems of costing and ployment — no matter how mplex and sophisticated — main simple adjuncts to the siness of satisfying customers. wever. It is for this reason at more and more owners and erators of commercial vehicle d passenger car fleets find emselves turning to profes- nal fleet managers for advice. The transport executive has d to cope with rapid economic well as fiscal change. The ad haulage industry has been ing through a recession longer and more pronounced than any previous downturn in its business cycle since the 1930s. Many observers wonder at its survival.

Yet it does survive. Capacity controls have been abolished and the industry appears to be through the worst of the slump. The State-owned National Freight Corporation managed to increase its profits by close on a fifth at the trading level in 1977. And although something over half of the group's revenues now arise outside the conventional spot and general haulage markets, it is profit performances like this that are a tribute to the resilience of the modern haulier.

The strength of the haulage industry is traditionally said to lie in the fact that it is composed of a very large number of very small businesess each operaing a handful of vehicles. Up to a point this is true for the small operator is naturally sensitive to change and flexible enough to adapt quickly. But the fragmented nature of the trucking business has also allowed it to slip easily into modern economic patterns, and in no area is adaptability and change more readily apparent than in the way operators are handling their capital outlays.

Lorries have grown in size. Leaving van-type vehicles out of the equation, it is probably true to say that there are 10 per cent. fewer lorries on our roads than was the case a decade ago, despite an increase of something like 30 per cent. in the ton-miles of freight moved over the past ten years. It is clear from the latest registration figures that there is a build-up in heavy articulated vehicles at the expense of smaller, rigid lorries.

This increase in vehicle size, compounded by the impact of inflation, has substantially increased the capital costs of commercial vehicles. A 30-ton articulated vehicle now costs something in the region of £45.000 to purchase outright, so a fleet of even modest proportions to-day demands that its owner dip very deeply into his pockets when replacement time comes around. The outright purchase versus leasing arguments rage on, but viewed from any angle the cost sums of the opposing camps are now beginning to look remarkably similar.

Clearly there are several ways of looking at the financing options open to the fleet owner. The starting point for the transport executive is easily isolated: are his available funds sufficient to cover outright purchase? If not, he is more or less forced into leasing or hire. But if he has sufficient funds surplus to his working capital requirements then the cost arguments tend to favour outright purchase. As one prominent member of the haulage industry put it. "If there is a profit in leasing for purchase for the finance company there must be a profit in it for us."

Yet the movement of freight has become a specialised business to a degree that would have been unrecognisable only a few years ago. There have been major changes in the manufacture and movement of goods: and there have been even greater changes in the structure and organisation of distribution and actual selling procedures. As a result the demands on the hauliers are now much more diverse—to a point that can make forward financial planning a major imponderable. This is where the leasing companies are able to step in with a more than convincing sales pitch.

Not all fleet operators agree that leasing or hire is yet a viable form of fleet financing. At least one major publicly quoted company—United Carriers—has never been involved in anything other than full ownership of a fleet which at the last count numbered some 750 vehicles (ranging from seven to 32-ton trucks). The sheer volume of a fleet like this makes the tax arguments—capital allowances—ring out convincingly.

But some operators are beginning to think in terms of a mixture of leasing plus full ownership, while at the bottom end of the scale, among the myriad of really small fleet companies, leasing has become an established pattern of financial life.

It is at the level of the more modest fleet operation that the leasing fraternity has so far achieved its greatest market penetration. One reason here is that it is almost impossible for the small man to properly evaluate his fleet and therefore take the right management decisions. On the basis of a huge fleet and diverse customer representation, a leasing company is in a far better position to gauge the mileage life of a particular vehicle and to balance correctly the opposing forces of a descending rate of depreciation against the ascending costs of repair.

Budgets

Leasing also injects an element of fixed cost into fleet management allowing the financial budgets of the operator to be set out once the ink is dry on the contract. At the same time the "off balance-sheet" element within a leasing contract is a clear attraction to some fleet operators—especially to those whose borrowings are already heavy. Some leasing companies have found this to be a major selling point where customers attach importance to balance-sheet ratios like returns on capital employed.

Thus in some ways the transport executive can use a leasing arrangement as a credit facility allowing himself the flexibility of replacing or acquiring additional vehicles without an embarrassing interview with his company's bank manager. Interest rates have begun to edge upwards once again and the cost of new money has returned to the forefront of the managerial mind.

Equally telling, in some ways, is the "all in" aspect of leasing agreements — this is especially important with passengers cars where visual impact is an important customer requirement. Some leasing companies offer a full mechanical repair and breakdown service plus a vehicle replacement service at 24 hours notice. In addition routine servicing of vehicles is often carried out with cars both freely delivered and collected.

Jeffrey Brown

Hauliers

CONTINUED FROM PREVIOUS PAGE

Perhaps one of the strengths the industry which has lped it ride out these difficult ars is that there are a great any small firms with only a w vehicles. This has given e chance for the industry to e flexible and responsive. At ast that is how the text book rgument runs, and the ational Freight Corporation state owned and by far the rgest single operator in the arket) has adopted the policy f delegating responsibilities to fair degree.

Even so, the average haulage usiness is becoming larger d, of course, trucks are be- ming bigger. The larger ms certainly dominate the g distance operations.

The haulage market is highly pecialised. At one end is the mall local operator who may oncentrate on moving or tip- ing construction materials, or isposing of waste. The multi- ude of "skip" hire firms which as sprung up is a classic case. t the other end of the pectrum are the national perators offering refrigerated ervices taking food from one nd of the country to the other nd often undertaking complete istribution for a chain of hops.

Specialisation in the freight market has become particularly bvious among the larger auliers who have tended to rift away from traditional asual work. Certainly, the days where the small operator could uy a truck on hire purchase, nd go straight out to ply for ire are gone—not just because f the growing sophistication of he market but because of the eluge of rules and regulations which now surround the haulier.

The fleet manager's job has ecome increasingly complex nd more demanding. Once it was said that the best fleet managers were those who tarted their career behind the wheel of a truck. Perhaps, but owadays he has to put some ime in at night school if he is oing to find his way around he complexities of fleet man- gement.

Maintenance

The laws governing the peration and maintenance of ommercial vehicles have ecome much stricter over the ast decade and the penalties or infringement far more rigid. And the number of regulations an only increase now that armonisation with the rest of he EEC countries is likely within the next few years. Com- ined with the increasing mount of traffic regulations and oute prohibitons the job of cheduling deliveries and col- ections is becoming harder very day.

So fleet management has had o change over the past few ears and the concept now is far more professional. Not surprising, therefore is the need for some of the larger firms to take a more serious attitude towards proper training facilities.

A symptom of the growing professionalism in road haulage is the use of computers. The transport industry has been slow to adapt computers to their own use, mainly because of the cost which prohibits their use for the middle to small operators. But the big haulage concerns are finding a use for computers, and in the future this feature is bound to expand as the cost of hardware comes down.

British Road Services, part of the National Freight Corporation, is a good example of how computers can aid fleet managers. The first programme it developed, Pathfinder, was originally aimed at contract hire operations. Basically, the programme was devised to answer question on how many trucks, and their optimum size, should be operated in a distribution system. The Pathfinder system is now being made available to operators outside the group as a computer consultancy service.

The computer can help the fleet managers make considerable savings. Using the Pathfinder system improvements in efficiency of between 15 and 50 per cent. have been registered. IBM also offers a range of computer programmes for the haulage industry. It too claims that considerable savings have been made when the programmes have been put into operation.

However computers are really out of the grasp of many fleet managers, though in the next decade more companies may be offering external consultancy services to managers.

Meantime the major job of the manager is to keep his costs down. For the commercial vehicle fleet, maintenance is one of the major elements of management costing, for lost time on the road is lost profits, more so than in the case of a sales representative and his car, which may cause difficulties but is unlikely to hit profits so directly.

There have been considerable improvements made to vehicles. There is nothing like a poor sales market to encourage the manufacturer to try to make his product that much better than his competitors. As a result servicing intervals can be extended without increasing the risk of costly breakdowns. Which means that the fleet can spend more time on the roads—obviously a critical point for the commercial fleet operator. Even so time lost through mechanical breakdowns is one of the major problems for the smaller vehicle fleets which lack the facilities for in-house maintenance.

T.G.

The foreign invasion

IN TWO individual months last year, importers captured more than 50 per cent. of the U.K. car market. They emerged over the full period with a 45 per cent. share, and in the first three months of this year they have hung on with 45.8 per cent. of the market. Although this is far more than the norm for the rest of Europe, where imports stand at about 25 per cent., it is now difficult to see imports pushed back by much more than 10 per cent., even if the British industry performs exceptionally well and better than the past record suggests is possible.

The reason for this scepticism lies in the type of imports which are coming into Britain. Some of the growth in the past few years—particularly in the past two—derives from the structure of the industry, which would have to be radically changed to alter the tendency. This is because companies like Ford, Vauxhall and Chrysler import large quantities of vehicles in order to make the most of their resources on a European scale. Last year cars imported from their Continental factories accounted for about 10 per cent. of total imports, and although this figure may fluctuate both up and down in future, the presence of these kinds of imports will remain.

Networks

The second factor is the presence of the Japanese importers, who sell far more cars in Britain than in other individual European countries. These companies — Datsun, Toyota, Mazda, Honda, Colt and Subaru —are now well established and have set up dealer networks capable of taking 15 per cent. of the market. In the first two months of this year they captured 13 per cent., and although the Japanese Government is now seeking to restrain shipments, the Japanese importers' share is expected to stay at around 10 per cent.

Although there is no clear guide in the official statistics to the specific market for imported vehicles, it is reckoned by most analysts that the vast majority of their sales go to private customers. Indeed, possibly 75 per cent. of all private sales last year went to important cars. This means that the importers have still got a long way to go on the fleet side of the market, which remains predominantly British.

The difficulties facing importers in this sector are, however, considerable. The distinguishing characteristic of the fleet market is that customers buy in bulk—in fact, to qualify for fleet discounts with the major manufacturers, orders have to be over 15 vehicles. The trouble for importers is that they cannot carry the amount of stock to make a sustained attack on these kind of orders. The British manufacturers, on the other hand, are able to take vehicles straight off the production line.

The second factor is the size of the distribution network available to the U.K.-based producers. Because they have dealerships spread nationally in much greater numbers than even the largest of the importers, they can offer better servicing and maintenance deals to big customers. The contract hire part of fleet business has been rising rapidly, leading to a considerable demand on garage facilities. At the same time, the larger, longer-established dealership networks of the U.K.-based manufacturers tend to have greater financial strength and the ability to offer more sophisticated leasing and other finance deals.

The imported content of the fleet market is, however, undoubtedly expanding at present. The biggest breakthrough in the last two years has been on the side of cars brought in by the multinationals, who simply distribute these cars alongside their British-biult models. In certain sectors ,business customers who have been reluctant in the past to buy foreign products now have little alternative. For example, in larger executive cars customers used to have the choice of the Leyland range plus Ford's and Vauxhall's. To-day, the Leyland range is limited to the Rover and Jaguar models, both in short supply, while Ford supplies all its Granada models from Germany. Inevitably, therefore, the imported content of this segment has had to go up.

Fleet buyers have been faced with similar decisions in the medium-range car sector. Both the Vauxhall Cavalier and the Chrysler Alpine have been imported in large numbers in the past two years, although both these models are now being made in Britain. The effect of these developments has been to make customers much less sensitive to buying foreign cars, and the acceptance is growing that companies will have to go foreign for more and more of their needs.

So far, the foreign manufacturers which have achieved the most success from this trend are the executive car producers. By far the majority of the Mercedes, Audi, BMW and larger Peugeot cars sold to Britain go to the company market. These tend not to be fleet purchases in the precise sense, since most of them are not sold as part of bulk orders, but they are financed by the corporate purse in one way or another.

The bulk of these cars probably go to small businesses or the professional classes, where a vehicle can be offset against tax. Indeed, the current Audi advertising is overtly aimed at attracting businessmen who are aiming to face up to high taxation demands and want to lighten the burden as much as possible. Immediately after the Budget, for example, the company came out with an advertisement entitled "How to increase your personal allowances by more than the Chancellor increased them yesterday." Last year, it pointed out in a leasing advert that "You can pay a monthly rental which can include all your maintenance costs. You don't have to worry about depreciation either. And the entire cost of leasing can be set against tax."

Marketing

Similar marketing aims lie behind the growth of leasing schemes in this sector. In this field, the aim is to help customers spread the payment for their vehicles over a period of time, while receiving the advantages of being able to offset the lease against tax. These are schemes specifically designed to help business customers, although some private motorists can also benefit from them.

The signs are that most of the importers' effort in the company car market in the next year or so will continue to be concentrated on this end of the market. They have a ready-made sales opportunity in the specialist sector because of the shortage of British-made cars of this kind, the demand for variety, and the poor supply position at Leyland. Even the Japanese manufacturers are now finding that they can appeal to a part of the luxury market—as, for instance, Colt, which has just launched a cheap leasing scheme.

Whether they can now build on this base to expand into the rest of the fleet market is now the big question facing the industry. Experience shows that there is sufficient variety of demand within the British market as a whole for a number of importers to be able to build a 3 to 4 per cent. market share quite easily. But expansion beyond that point is more difficult. It means, in effect, gearing up investment in stocks, building up much larger dealer networks, and pursuing a more aggressive sales policy than most importers feel they are able to because of the uncertainties of supply.

It also means making a determined attempt on the fleet market as a whole, and trying to push into volume as well as specialist car sales in this sector. This is the only significant area in which importers still have to make a serious impact. One or two importers have already made attempts on the volume fleet market and retired—Volkswagen, for example, has decided to concentrate its company car efforts on its specialist car models. But others are still trying and are determined to build up on the basis of moving from small fleet sales of a handful of cars, to the medium-size companies which are not of such overriding interest to the big U.K. manufacturers.

Terry Dodsworth

Exporters play their part

THE EXPORT of motor vehicles continues to be a major contribution to Britain's earning power overseas and the financing of these sales is carried out routinely by most motor companies, usually with backing from the Export Credits Guarantee Department.

Some major exporters of vehicles such as Ford carry out much of their overseas business through their own finance houses and as far as ECGD is concerned most short-term sales are covered by standard comprehensive guarantees.

The main financing problem of the industry and its overseas selling operations is the creditworthiness of distributors abroad, many of which may operate from a small capital base and therefore are sometimes regarded as a high potential risk. However, this is counterbalanced by the close links which major suppliers normally maintain with their distributors and the greater extent of financial detail which can therefore be provided about the distributor's activities.

As a result of this, distributors normally receive from ECGD a credit rating which is considerably higher than would be allowed on a normal accounting basis. Within ECGD, deals involving cars or smaller vehicles are handled by a department which covers short term cover of up to six months, while another department deals with longer-term cover for larger deals, often involving trucks or heavy vehicles.

Almost all U.K. motor exporters use ECGD, which enables them to get bank guarantees and finance for shipments and direct exporting is probably the most common form of transaction.

For a variety of reasons, such as requirements in buyer countries for some local participation in production, the volume in exports of knocked-down vehicles has been increasing recently and cover for political and economic risks is provided by ECGD in these cases in the normal way.

Cover

However, the extent of cover can depend on the degree of control or ownership which the motor manufacturer has in the assembly company. Where this is less than half, insolvency cover can normally be provided, but for obvious reasons ECGD limits its cover when a transaction approaches an inter-company level, where a parent owns 50 per cent. or more of the subsidiary.

Normally the industry does not require pre-shipment or pre-credit risk cover, due to the fact that vehicles cannot usually be identified by manufacturers as being specifically for a particular market, although this cover is used on occasions when an order is placed for special vehicles such as police cars.

The main call for longer-term cover continues to come from exporters who win contracts for large numbers of trucks or buses from countries outside Europe, and this normally extends to around two years. Within Europe even this type of business tends to be shorter term, conducted on a continuous basis.

Despite the problems of the motor industry, the U.K. maintained a positive trade balance of £1.3bn. last year, exporting motor products worth £3.8bn. and importing similar products worth £2.5bn. However, this favourable balance was reduced by 14 per cent. last year when compared with 1976.

Exports of cars last year amounted to £752m. compared with £633m. in 1976 (an increase of 19 per cent.) while components worth £1.6bn. were exported last year, an increase of 22 per cent. on the previous year. However, the import level of components last year rose by an unprecedented 66 per cent., giving rise to fears that the problems of motor manufacturers were filtering through to the components sector.

U.K. exports of commercial vehicles in 1977 amounted to £653m. compared with £548m. in 1976, but imports rose by 72 per cent. to £211m., another cause for concern within the industry.

Although the export performance reflected in these figures does show considerable increase in terms of sterling, they do not reflect either the effects of inflation (which was running at a comparatively high level during the period) or the various fluc-

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Prestige cars cash in

IN THE past 12 months there has been an unprecedented surge of interest in the leasing of prestige cars. Much of this derives from the change in the Control of Hire order in the sumer of last year, which made it possible for company purchasers to take on HP or leasing agreements with no initial down-payment. But there has also been a growing awareness among customers of the tax advantages of having a leasing agreement as well as the financial benefit of being able to plan payments on a regular basis without tying up large amounts of capital in a depreciating asset.

To serve these requirements, a great number of independent leasing operations have been established, both by large finance houses and individual entrepreneurs. But the manufacturers themselves are now also beginning to develop their own activities in this field, offering their own schemes or sponsoring dealer efforts as a part of their sales promotion effort. The move makes sense because of the very high proportion of executive-type cars which are sold to the company market. For these buyers, whether large customers, small firms or independent professional men, buying decisions are deeply conditioned by commercial considerations such as cash flow requirements and the tax burden.

The other factor is the question of maintaining and servicing a vehicle. Particularly for smaller companies which cannot afford to maintain their own servicing department, this is an important question. Many of the cars falling into these categories are used intensively and are needed for work. What leasing can offer is maintenance contracts which promise to keep the vehicle on the road, and the use of an alternative if anything goes wrong. They allow cars to be used very much more as a tool of the business, working to maximum effect like any other piece of equipment.

The Audi finance company which offers the leasing scheme is one which is in general use by its dealers for financing stock funding after-care warranty, and providing cheap hire purchase schemes. Volkswagen, for example, is at the moment offering a three per cent. HP scheme to customers. The group says that the finance company, 51 per cent. owned by Lloyds and Scottish and 49 per cent. by Volkswagen GB, began to provide leasing as a weapon of growing importance in the company market. Since it started advertising a month ago it has had "an enormous response."

The company which has taken the lead in this field is probably Audi, the Volkswagen subsidiary, with a series of advertisements directly appealin gto the small businessman. Leasing is seen as one of the aids in this sales effort, although the company has also made a great play with the specific engine characteristics of the larger 100 model which fall conveniently within the cheaper tax barriers under the recent regulations on company car taxation—indeed, in stressing the impact of legislation in its advertisements rather than the virtues of its vehicles. Audi has paved the way with advertisements which do not show the vehicle at all.

VW believes that between 70 and 80 per cent of its Audi 100s are sold to companies already. But in the last year or so, it has also been making a serious effort to push more deeply into the fleet market with the whole range of its products. This drive is now being checked with the intention of concentrating on smaller fleets of between 10 to 20 cars where VW believes that a moderate-sized importer can make the most impact. At the same time, it has appointed a fleet and leasing manager to give back up support and expertise to dealers in the leasing field.

Another company which has decided to concentrate heavily on leasing is Fiat. The Italian group has come up with a scheme designed to give its customers and dealers the advantage of larger scale leasing contracts on the grounds that it is in size that the main advantage of the system lies. Rather than allowing its individual dealers to set up their own leasing operations, it runs a central leasing company which has responsibility for all the cars.

Idea

The idea behind this scheme is that the central leasing company can offer competitive rates, and that the customer can then become part of a national Fiat scheme for servicing and repair. If a car breaks down, the client can go to any Fiat dealer and be offered a replacement.

Renault runs a very similar scheme to Fiat's. In conjunction with the North West Securities Group, the leasing organisation was established at the beginning of this year to offer facilities to all Renault dealers. One of the main objectives of the scheme is to help the company develop from the sound base it already has in the small fleet market into medium-size fleet deals. Customers can choose from three basic leasing alternatives—closed end leases which give a set buy-back price for the dealer, maintenance leases which include service contracts, and open-ended leases in which the full cost of the vehicle is depreciated.

Probably 10 per cent. of Renault's fleet business is now done through leasing, and the company claims to be well ahead of its launch target of four months ago.

The Renault and Fiat schemes are intended to apply to the whole of their ranges, but they will probably be most used for the sale of their top-line luxury models, which appeal to the small businesses. This semi-specialist market is very much the target of the Colt Cars leasing programme which has also been launched this year. Colt, one of the smaller Japanese companies, is aiming the scheme deliberately at small businesses, partnerships and the self-employed in an attempt to widen the platform of its sales away from the private customer. The company's latest model, the Sigma, is a more refined product than the average Japanese car and ideally suited to competing in the executive market. In the long run, Colt's manufacturer, Mitsubishi, is intending to produce more quality cars which will appeal to this sector of the market.

Colt, however, is not so deeply involved in running the business as some of its competitors. The leasing programme is administered by United Dominion Trust, with the car company offering back-up training and promotion for the 240-strong dealer organisation.

Both BMW, the West German specialist car manufacturer and Saab of Sweden, also operate their leasing schemes through a third party, Tozer, Kemsley, Millbourne. Again, each of these companies have heavy sales to the business sector, and BMW, which believes that 80 per cent. of its cars are owned or paid for by companies, has a leasing specialist in each of its dealer outlets.

A considerable percentage of sales of these cars as well as of Volvos and Mercedes, are probably funded by small private leasing companies. These have sprung up rapidly in the last year, specialising in the needs of the smaller companies and in exclusive foreign vehicles.

Sales by these means are encouraged by the motor companies because of the base it gives them in the company market, although some of them will not get involved in the financing themselves because of the cost and expertise demanded. There is also some scepticism about the long-term development of car leasing. There is no doubt that there is some anxiety about the methods used by several of the fringe leasing companies, and there is a feeling that leasing has also become something of a fashion, which may prove to have little substance. But at the moment, no-one in the specialist car business can afford to ignore the commercial implications of the current success of leasing companies.

Terry Dodsworth

Exporters

CONTINUED FROM PREVIOUS PAGE

tuations in currencies.

The increasingly competitive nature of motor industry exports continues to demand a high level of expertise in the handling of export finance and in particular in guarding against the risks of a fall in the value of the currency in the buyer country.

Whatever help can be offered by ECGD, it is stressed in the industry that credit insurance can only be as good as the contract itself and any failure in that contract through loopholes or other reasons is irrecoverable. In the case of major contracts the insurance element can be locked into the total bid figure, and with ECGD rates usually competitive, this system has generally proved successful.

Performance bonds, sums of money which are sometimes required by foreign buyers as a guarantee on delivery dates or the quality of goods, remain fairly common in the export market. Here exporters usually make use of banks, but problems can arise for smaller companies due to the effect of such bonds on the company's borrowing limits.

The introduction of the dollar buyer credit scheme by ECGD, again only for larger deals, has not caused the difficulties expected by some exporters, particularly since the fall in the value of the dollar has made such deals attractive to buyers.

The financing and credit insurance terms British companies are able to offer are generally regarded as competitive within signatories of the Berne Union Agreement on export credit (mainly the developed countries) but there is concern over competition from developing countries which have set up motor industries and are anxious to use them to full capacity.

There is already evidence that these countries are willing to offer extremely generous terms in order to win orders and if world demand does not grew sufficiently to take up the slack in these countries, competition could prove very tough indeed.

This problem is most likely to arise in the passenger vehicle sector as few developing countries have any great capacity in trucks and buses, but as far as Britain's overall position is concerned, the continuing slow-down in the rate of inflation can be regarded as the most favourable trend in terms of competition abroad.

Although sterling has risen in value against most currencies over the past year, and presents something of a problem, it is now widely accepted that marginal price fluctuations to the buyer have a comparatively small impact when compared with the value placed on quality, delivery dates and after sales service.

Lorne Barling

Car hire companies flourish

THE U.K.'s major car hire companies—Alvis, Godfrey Davis and Hertz—are enjoying, along with the rest of the motor trade, a period of vigorous growth on the leasing and contract hire side of their businesses. One of the more significant developments in this corner of the market was the re-entry of Hertz at the start of 1978.

This company operated a leasing business from the mid-1960s, but ceased writing new agreements after 1970 when it was decided that there was insufficient demand to support its continuing operation. The last of the leases expired at the end of 1973.

However, a flourishing industry has since developed on the back of rising costs of replacement and a more favourable regulatory and tax climate; specifically, relaxation of the Control of Hiring Order last June and an ability to use 100 per cent. capital allowances in the first year on passenger cars (it was formerly only 25 per cent.). Encouraged by these factors, Hertz was also influenced considerably by U.K. subsidiaries of American companies complaining to their *parents that Hertz did not offer* the service here. These complaints were duly passed to Hertz in the U.S.—hence the resurrection of the business.

Mr. Richard Weisshar, general manager of Hertz Car Leasing, recently gave the official Hertz view to the magazine Leasing Digest: "Hertz believes that vehicle leasing in the U.K. has a bright future, but that there are a few troublesome areas facing the industry. On the accounting side, there is a need for uniformity of treatment so that lessors and lessees account for leases in a similar fashion.

Favourable

"On the regulatory side, the picture is currently a very favourable one. However, there are some doubtful practices being employed in the industry, mainly in luxury cars. Since these practices are rightfully seen as benefiting a few at the top as opposed to the main purpose of fleet leasing as an efficient way of handling a company's total transport needs, there is the possibility of legislation harming vehicle leasing in general.

"Finally, some segments of the industry now appear to continue to use the inflationary used car prices of the recent past in forecasting residuals for a period of two years in the future. The concern here is that very difficult times may befall the overly optimistic lessors to the detriment of the more responsible sectors of the leasing industry.

"Aside from these concerns, aggressive but sensible lessors can expect vigorous growth throughout 1978. The industry will tend to sort itself out over the next two years and evolve into a market place well served by the professional car leasing companies who offer a high quality of service."

Those words were delivered in February and are worth repeating now because not only do they give a view of the market as seen by a newcomer, but encapsulate perfectly the industry's general fear prior to the Budget that the less desirable elements in the business would bring down the wrath of the Chancellor of the Exchequer in his Budget, or spark off some savage new directive from the Inland Revenue.

In any event, the clouds have passed for the time being and business has indeed been plentiful. In common with everyone else, Hertz has been dogged by shortages of supply of new vehicles from Ford, but has managed to satisfy its more pressing customers with alternative Vauxhall Cavaliers, Chrysler Alpines and more recently—and despite political pressures to curb imports into the U.K.—Datsun, which has the uncanny knack of being able to deliver on time.

Enlarged

It is interesting to note that both Avis and Hertz have found that motor car leasing and the traditional contract hire business have somehow managed to live happily side by side. In other words, while leasing is generally regarded as the main growth area, it has not necessarily been at the expense of contract hire. The whole business has been enlarged.

It seems that some fleet operators are happy to sign a contract hire agreement, even if expensive, because it at least represents a constant item in the corporate budget, and avoids any risk of being taken as regards residual values. Others, on the other hand, are taking the view (about which Mr. Wiesshar expressed doubts) that second hand car prices will remain buoyant and are opting for open-ended finance leases.

Avis, which started in motor car leasing in January, 1974 and which is in its fifth year of contract hire, reports that it has had its most active quarter ever on both fronts.

Godfrey Davis, which is a Ford main dealer in its own right and which has been in the motor car leasing and contract hire business for 30 years, has presumably enjoyed similar conditions. However, in February, the company said that there were far more inquiries than firm business, but added that it was optimistic about the industry overall.

Unique

As a group, the car hire firms have a unique position which should stand them in good stead to gather their share of profitable business. For one thing, dealing in such volumes of cars and constantly disposing of those that have run out of useful life, does make them exceptionally well placed to take a very first-hand, experienced-based *view of the market.* They are therefore less likely to be seduced into writing foolish contracts. And, finally, they have the advantage of being not only nationwide, but international, as opposed to some of their competitors who are often concentrated into one area of the U.K. This strengthens still further their ability to take a view, but also helps considerably when it comes to providing replacement vehicles to those customers with full maintenance and breakdown services written into their contracts.

K.L.

Agricultural sector

THE LEASING industry, which is currently passing through a growth phase on all fronts, is constantly on the look-out for new areas to conquer. The aircraft, shipping, office equipment and computer businesses have already been penetrated to a large extent, while motor cars and commercial vehicle are currently being developed very rapidly. One of the last areas that has so far not fully succumbed, and is therefore attracting increasing attention from the powerful lessors, is agricultural equipment. The farmer, either independently or through co-operatives or syndicates, still prefers on the whole to own his essential equipment rather than hire it.

Agricultural equipment nevertheless has all the classic attractions for the lessor. For a start it is a big business, currently estimated to be worth around £650m. a year. Individual units are expensive and replacement costs have been soaring, thus placing a considerable strain on the average farmer's cash flow and capital. But while no official figures are available, it is estimated by those in the business that still only 10-12 per cent. of this is leased.

The vehicle that is the basic tool of every farmer, the tractor, is as good an example as any of the replacement costs currently being faced. A conventional tractor—one with two small wheels at the front and two larger ones at the rear—can cost anything between £5,000 and £15,000. A four wheel drive version can cost anything up to £17,000. And the top of the range—four wheel drive on four large wheels—the outlay is of the order of £35,000 or so.

The next most popular piece of apparatus is the combined harvester, the cost of which runs from £12,000 in its simplest form up to £35,000. A highly specialised piece of machinery, such as a pea harvester, starts at £100,000.

The farmer, who is forced to become increasingly mechanised in order to make a profit, has a number of alternatives open to him. The financial choices are: buy with cash, buy with borrowed cash, buy via a hire-purchase agreement, or lease. Also, he can either act alone or in a syndicate, depending on the outlay involved.

The course he eventually chooses to take will be decided by circumstances — cash in the bank, current level of debt, etc. He will be guided to a large extent, too, by the distributor of the equipment who, in all likelihood, will have the respect *of the farmer for the simple* reason that he will have an understanding of the farming business. He is far less likely to be persuaded by a purely financial argument from someone who is not directly involved.

The close-knit nature of the farming community may go some way towards explaining why the finance houses have so far failed to tap this market, and the problem still faced. But there are a host of other pitfalls, too.

Any finance house will have a very difficult time in assessing the credit-worthiness of a farmer, who has to be chairman, managing director, marketing director, accountant, secretary and just about everything else to do with the running of the business.

In all probability, the accounts will not have been prepared in a totally orthodox fashion. And because of the notoriously fluctuating fortunes of the farmer, and the seasonal pattern of profits (or losses), it will be difficult, perhaps virtually impossible, to establish the exact liability to taxation at any given time. The latter is, of course, particularly relevant because one of the main attractions of leasing is that it is beneficial to those without sufficient taxable profits to make full use of the capital allowances available on the equipment being purchased.

Furthermore, it will even be difficult to place a value on the value of the farm's assets. The property is one thing—the livestock and its value to the farmer are another.

And, finally, there is the added complication that the farmer in question may not own the farm at all, since around 50 per cent. of the farming in the U.K. is carried out by tenants.

Grants

There are some regulatory problems to overcome, too. Farmers quite frequently qualify for grants from either the EEC in Brussels or the Ministry of Agriculture on the purchases of certain equipment. The general rule, which amounts to a considerable obstacle, is that equipment that attracts a grant cannot be leased as well. If it is leased, the farmer loses his grant since the user has also to be the owner to qualify. And only the lessor not the lessee, can have title to the equipment under a U.K. lease agreement.

But having said that, the problems are probably not insuperable and the overall climate remains attractive in the longer term. The position over the grants at the moment is that when the legislation was originally drafted, leasing was hardly developed and its purpose was therefore not to shut out this useful form of finance. Representations to the appropriate authorities have already been strongly made by the Equipment Leasing Association, individual leasing companies and a variety of sales associations.

The farmer himself is facing huge increases on replacement costs, not to mention all his other overheads, and is likely to be impressed by straightforward benefits to cash flow. Finally, distributors are well established, along with a developed market for used vehicles—both of which will make expansion of this business that much easier.

K.L.

Shadows over Humberside

By ANTHONY MORETON, Regional Affairs Editor

Freddie Manse

Mr. Austin Laing, director general of the British Fishing Federation with trawlers la up in Hull docks.

FISH docks in Hull now a depressing sight. The which used to fish off the Cape or Iceland lie, banked, at the quayside. ds are empty, the cranes It is difficult to visualise his is the largest fishing Europe, one of the most ant in the world.

modern Albert and William Wright dock on which has recently been spent erth 25 vessels even with double banking. It can d three vessels at a time. it is lucky to receive three water vessels a week.

hind the docks lies the in ructure which can contri to Hull's greatness. The bution and wholesaling ties are intact; ice making, er stores, plants for smok he fish, engineering back facilities all continue to But there is not enough to keep them going full

the problems facing Hull acute, those facing other are serious. Down river is the Humber, Grimsby's e is linked with that of Grimsby's fleet is more sified (Hull has concen d almost exclusively on the nt waters) so that about its catch comes from the and middle fishing nds. But its fleet has fewer e large modern vessels, its s entrance is narrow; it can ad only one freezer at a and if there are more three in dock it has to le bank them.

her ports have their diffi es. Two months ago British ed Trawlers, controlled by ciated Fisheries, the lar distant water company, ched its boats from Fleet d to Aberdeen. Fleetwood lost half its boats in five s. Milford Haven, which had 120 trawlers, is down seven. In 1976, and 1977 Aberdeen lost 17 boats and Lowestoft eight.

The problems of the fishing ports are indissolubly linked with those of the fleets because these have traditionally financed their own shore operations through dues on ships and levies on fish landed. If fishing becomes difficult then there is insufficient finance to fund the shore facilities.

Those problems have multiplied with alarming speed since late 1973. First, there was the sudden jump in the cost of fuel, a large part of a boat's overheads. Then there was the cutting-off of waters traditionally fished by the British, particularly Iceland in 1976 and more latterly Norway, Russia and the Faroes. On top of this came the ban on herring fishing to prevent complete depletion of the fish.

Finally, there has been the imbroglio over a common fisheries policy in Brussels. The complete inability so far of the EEC Commission to produce an acceptable policy has led to indecision within the British industry and an almost complete halt to new investment in ships.

Britain has in its waters 60 per cent. of the Community's fish stock and wants to ensure that it is allowed a commensurate share of fish landed. According to Mr. Austen Laing, director general of the British Fishing Federation, "we could get a solution to-morrow if we were to settle on the terms the EEC wants. But the problem is to get a solution which is acceptable for the U.K. While this indecision continues fishing costs are rising seriously. But even this would be acceptable if we get the right long-term solution. Therefore we are not pushing the Government for a quick solution."

If British waters are not to be fished out—and the ban on herring fishing is an indication of the danger—then Britain wants three things from any Brussels agreement: sensible quotas on catches; a proper conservation regime; and an effective system of control and enforcement.

The indecision resulting from the lack of a common fisheries policy is felt most acutely in Hull because its fleet consists almost entirely of distant-water vessels and nearly all those actually at sea are freezers.

There are two types of distant-water vessel: fresher and freezer. A fresher, or fresh-fish boat, will pack its catch in loose ice and bring it back as wet fish—invariably to its home port. Two years ago Hull had 40 freshers, compared with 33 in Grimsby and 15 in the rest of Britain; now it has 27 and many of those are laid up.

FISH LANDED BY PORT 1977 (provisional)

	tonnes	£m.
Hull	94,000	34.6
Grimsby	86,000	33.6
Plymouth	80,000	5.6
Aberdeen	70,000	27.6
Peterhead	64,000	25.9
Lerwick	46,000	5.4
North Shields	44,000	7.4
Ullapool	44,000	7.0
Fraserburgh	34,000	6.3
Lowestoft	26,000	11.4
Mallaig	25,000	3.7
Fleetwood	21,000	8.7

Source: White Fish Authority

The freezer deep freezes the catch at sea so that it can go straight into one of the dockside deep freezers. Grimsby has six freezer vessels and is now the only other port with them. The number in Hull has dropped to 26 compared with 33 just two years ago.

Logically it would seem sensible for Hull to absorb the six Grimsby freezers because its facilities are superior despite Grimsby having spent some £2m. on its shore infrastructure. This would enable the big companies such as Associated Fisheries, Ross, Birds Eye and Findus to rationalise their own operations.

There would be an outcry in Grimsby, of course. Both ports are waging strong public relations battles to back their causes and each has the same useful card to play to the present Government—Hull's three MPs are all Labour and so is the one representing Grimsby.

Some form of rationalisation, although it has to happen, could have dire consequences. Grimsby's labour costs are very heavy: there are independent observers who will tell you that the industry's labour force has a stranglehold on Grimsby and is slowly suffocating the port. Grimsby estimates that its dock running costs this year will amount to a little over £1m., a rise of about 11 per cent. on last year. The freezers are expected to account for about 18 per cent. of the landings and if this amount were subtracted from the port's estimated income there would be a shortfall of around £190,000. This deficit would have to be borne by the remaining boats using the ports, pushing up their costs.

With costs rising at such a rate it would not be long before the other boats using Grimsby—it has 40 "middle water" boats and five "near water"—sought landing facilities elsewhere, thereby forcing up the costs of those remaining.

Putting all the freezers into Hull would certainly give a boost to its docks in the short run but there are many other question marks over the future of the port.

Since the pattern of fishing has changed the freezers have had to look elsewhere for their catches and this winter many of them have been working the mackerel grounds off Cornwall. It has been more economic for the Hull boats to supply the Russian factory ships direct. The freezers, because of their ability to stay at sea for long periods, need not land their catches at Hull.

Ideally a fresher has to be back in the port within about 15 days of making its first catch otherwise the fish will start to deteriorate. The freezer can stay away from port for months. Not only is its catch deep frozen but it can land it at several places. Freezer catches have been going into Milford Haven, and Fleetwood could enjoy a new lease of life. It also makes more economic sense for a boat working western waters to pick up fuel and other supplies from western ports rather than from the Humber.

With the closing of Icelandic waters and the possible concentration of the fishing industry on blue whiting—largely found in the Atlantic off the west coast of Scotland—Hull is just about the worst placed port for a deep-sea fleet.

There are many in the industry and Whitehall who believe that Hull's days as a fishing port are numbered and that within a decade fishing could have disappeared from the Humber. This is vociferously denied in both Grimsby and Hull but it is a strong possibility.

Despite the big change in both the size and composition of the fleet using the Humber over the past 15 years there are still more changes to come, but these will depend on what happens in Brussels. And there the role of Mr. John Silkin, the Minister responsible for fisheries, will be crucial.

Within the fishing industry there is just one area of common ground: support for Silkin. To a man, the industry backs the tough attitude he takes in Brussels.

"The one great fear within the industry at the moment is that a general election might be called before the common fisheries policy is agreed and that another Minister might then have responsibility for settling the final details of fishing policy. It is felt that the Commission and particularly the Danes and the French would take full advantage."

In the meantime, the industry is seeking some form of assistance from the Government to tide it over until a clear view of the future emerges. While the Government is unlikely to be sympathetic about providing money to modernise the fresher fleet, which is now becoming rather old, particularly on Humberside, it would be catastrophic for Humberside if anything happened to either Hull or Grimsby before a settled policy emerged from Brussels.

Both ports employ large numbers and in spite of being in development areas there will be considerable human hardship if either is forced to shut. Grimsby already has 13.3 per cent. of its fishing industry unemployed and while Hull's figure of 5.6 per cent. is not nearly so severe, the Humber ports account for just over a third of the unemployed in Britain's fishing industry despite having only a fifth of the workforce. Less than two years ago Humberside employed nearly half Britain's fishing labour force.

Also there are about 20,000 Humbersiders who depend for their living on fishing, ranging from more than 6,000 in the freezing and curing business to 100 or so making ice and just under 175 making nets, twine and tackle. Such problems are not confined to Grimsby and Hull. In Aberdeen there are over 1,000 people out of work, about 13 per cent. of the Scottish fishing labour force.

This picture of gloom has to much uncertainty and delays in investment decisio No new distant-water vess are on order and companies l British United Trawlers a J. J. Marr, the largest private owned operator, are looking alternative uses for their boa Some have gone to Austra others are operating as saf boats for the North Sea oil r Meanwhile, the fresher fle around the coast and the fle fishing the near and mid waters, the largest of wh come from Aberdeen and Low toft, are growing older.

If Britain were given an exc sive fishing zone of, say, miles as a result of a comm fisheries policy then the indus would regain confidence. N tonnage, in the form of ver tile multi-purpose vessels spe fically designed for the grounds, would be ordered a there would be hope for ports. But that is the gr uncertainty. And the unc tainty is playing havoc with industry.

Letters to the Editor

Unemployment statistics

From Mr. A. Motion.

Sir,—The fact that there will much more unemployment n we are all used to, is sink in but with no real aware s as to who are unemployed. The Department of Employ nt Gazette contains some use figures and by comparing the ires for March and December t year, interesting percentages revealed.

The general idea of unemploy nt is that the unemployed are mbers of the working class— much better off descendants Adam Smith's labouring poor. Gazette gives us eighteen ups. The top the highest ches of management, and the est containing the general ourers.

tarting at the top, one is nediately in double figures— per cent. for top management, then 46 per cent. for the porting professionals and the t grades in management. k at the lowest we find 3 per for Group 18, with the eral labourers at a very nice

The way in which unemploy nt is presented to the nation ms to be entirely wrong. Job ation may sound well, but at is needed is at the higher els. Government money, if it to be spent, should surely be t employed backing the more elligent, thrustful, and ambi us members of the middle and per classes, in an attempt to d out what we must make and if we are to regain status a trading nation.

It may be argued that the best ains have gone into the City, d that there we thrive as a ople who are very good at rrowing, or advising bor wers. Being in trade or manu turing hasn't the right look out it. It is just assumed to ist, but no one talks about m.

It is not merely a matter of ting our educational facilities nning in ways more closely sociated with industry than at esent. It is how to train and ld a sufficient number of the unger men into a task force, luding pathfinders and ex orers in the markets in the der world.

The words "market economy" become a bit of a catch rase. It is not a bed of roses, d to compete to live is a heavy signment.

Motion.

Alnmnton Terrace, sforth, wcastle upon Tyne.

Definitions of design

om the Director, sign Council.

Sir,—Mr. Stuart Pugh (April) regrets the division of sign practice into "engineer g design" and "industrial sign," and there must be any of us who agree with him. He does the Design Council me injustice, however, by tributing definitions of the o streams of design quoted in ngineering (February) to the ouncil itself, whereas these tivities were part of an inde endent report.

It is indeed curious that the ame "industrial design" ould be allotted to those skills hich are primarily concerned ith aesthetics and human alues. Nevertheless, for the me being at least, we are tuck with the term, as it is ow standard usage throughout he industrial world—certainly ot just in Britain as Mr. Pugh lleges.

At the Design Council we egard design as an entity which ncompasses several disciplines, nd we are constantly concerned to bring about a closer and more effective relationship between engineering and industrial designers. We encounter many difficulties on the way, not the least of which is the fact that these two types of designer tend to emerge from separate streams in the education system.

Far from believing that engineering and industrial design should not be harnessed together, the Design Council's report on industrial design education published last year defined a "spectrum of design" which showed that although the proportions of responsibility might vary from product to product, both types of design skill are usually indispensable and interdependent.

Thus it is in no way typical of our thinking that manufactured products are divided into those which are all to do with engineering or all to do with aesthetics. I would find it difficult to settle the proportion of iniquity between a badly engineered deck-chair and an ugly machine tool.

Keith Grant,
The Design Centre,
28 Haymarket, SW1Y 4SU.

A product's function

From Mr. J. Dingle.

Sir,—Mr. Kent (April 24) brings a welcome touch of practicality to the discussion on industrial design when he points out that design whether by "designers" or by "engineers" is only a facet of the manufacturing and marketing activities of a commercial enterprise.

It is nonetheless an important facet, and one where we in the U.K. sometimes seem to do rather poorly by comparison with the best from abroad. I think this is less a criticism of our designers and engineers than a failure to co-ordinate in a cost effective way a product's functionality of purpose (as an "artefact"), functionality of design (as the product of complex manufacturing processes), aesthetic appeal for the eventual user, and the properties of the materials from which the product is made.

If I may take as an example plastics products — which often come in for more criticism than they warrant — the means for effecting this kind of co-ordination already exist, most notably in the customer technical service departments of the big polymer producers. One wonders whether differences in the way these departments are organised, in their lines of communication with the product manufacturing companies, and in their relations with academic institutions responsible for training designers, do not account at least in part for our comparative weakness in successful design.

John Dingle.
Suite 1, Harcourt House,
19A, Cavendish Square, W.1.

Architects' fees

From the Secretary,
The Faculty of Architects and Surveyors.

Sir,—The Government is currently pursuing a national campaign for house renovation grants through the Department of the Environment and local authorities. Although such work will often entail structural alterations or extensions to properties, there appears to be little or no encouragement or advice on the advantages of involving a qualified architect or building surveyor at an early stage.

While professional fees may rank within grant aid, it is considered that the public would be encouraged to seek professional advice more readily if fees were to be permissible as an amount additional to the actual cost of building and ancillary works. Such a step by the Government could well enable the professional practitioner to exercise control in rapidly increasing building costs and ensure a satisfactory standard of design and workmanship. The FAS will be pressing the Government for an early reconsideration of this problem.

A. D. G. Webb.
15, St. Mary Street,
Chippenham, Wilts.

Discussions on the Shetlands

From Mr. J. Burgess

Sir,—I regret that Ray Perman was so misinformed in his article "all at sea in the Shetlands" (April 13) and I feel obliged to set the record straight.

The Shetland report by the Nevis Institute was not commissioned solely to provide information relevant to the Scotland Bill. On the contrary, it is intended to provide a factual basis on which to base present and future discussion on the government of Shetland. This council was well aware that some models are not immediate options.

The real question facing Shetland is not as Ray Perman suggests, "If Scotland does have devolution what course can Shetland take that will make the least change for the islands as they are now?". It is: If Scotland does have devolution, what changes in Government would best suit Shetland's special needs? The Nevis report will help to answer the latter question.

Contrary to the impression given in your article, there is nothing in the report to suggest that accepting devolution with the rest of Scotland will be the best way to achieve Shetland's aims, including safeguards for existing powers. The institute was instructed not to recommend any method of government for Shetland. The recent local referendum resulted in a massive majority for a commission to look at all aspects of Shetland's relationship with Scotland and the rest of the U.K. This is not a vote for safeguarding existing powers. Incidentally, the amendment to set up a commission was not tabled "at the instigation of the islands' council." It was tabled by our much respected MP Mr. Jo Grimond, entirely on his own initiative, but it has subsequently had the council's wholehearted support.

There is the question of special arrangements for Shetland after devolution. Certainly, administrative arrangements would be complex, but not insuperable.

A recent and very experienced Secretary of State for Scotland, Lord Campbell of Croy, makes this very clear in a letter to me dated March 20. ". . . at a time when the greatest constitutional change for the United Kingdom for 270 years is being proposed, in this Bill, the two island groups should consider it an appropriate stage to examine whether a new form of association within the United Kingdom would best suit the likely circumstances of the future. As a former Secretary of State for Scotland myself, however, I do not think the difficulties during an interim period, before the final constitutional arrangements for the island groups had been agreed, would be intolerable. Where there is a will, there is a way. If I were Secretary of State at the time, I should certainly be prepared to make special arrangements for an interim period, no matter how much trouble they caused me and my civil servants."

J. M. Burgess.
Research and Development Dept.,
Shetland Islands Council,
Town Hall, Lerwick.

Unclaimed dividends

From Mr. R. Taylor.

Sir,—I read with interest the letter from Mr. Lund (April 20) accusing companies of not spending sufficient time and money in an endeavour to trace shareholders who have been negligent in omitting to advise their change of address or paying in dividend warrants they have been sent.

I think Mr. Lund should realise that shareholders also have responsibilities to accept, and I would not wish the companies in which I invest to waste time and money in attempting to trace such investors. If dividends are of such little consequence that they are unaware as to whether or not they should have been receiving them, perhaps Mr. Lund would agree that the best solution might be for them to be mandated to a suitable charity in the first instance.

R. F. Taylor.
12, Kent Drive,
Congleton, Cheshire.

Changes in income-tax

From Mr. R Murray.

Sir,—In presenting his recent Budget to Parliament the Chancellor prided himself on his zeal in responding to the requirements of that part of the 1977 Finance Act which deals with the indexation of basic allowances. It is, I think, reasonable to examine the other major concessions of this Budget in similar terms.

As an example let us consider the integrated tax rate for a single man receiving only earned income in the two years commencing in April 1977 and April 1978. He will, even in the absence of promotion, expect his gross salary to rise between 10 and 15 per cent. and thus to compare his tax position we must apply a similar rise before deducting tax at the new rate. The table then shows that for those in the income range £5,000 to £15,000 the residual tax reduction is about half a percentage point.

EXPECTED INCOME AND TAX RATE IN 1978-79

Income in 1977-78 £	Tax rate %	+10%	Tax rate %	+15%	Tax rate %
5,000	27.8	5,500	26.5	5,750	26.8
6,000	28.7	6,600	27.8	6,900	28.0
7,000	29.5	7,700	28.5	8,050	29.0
8,000	30.8	8,800	29.8	9,200	30.2
9,000	32.4	9,900	31.3	10,350	32.0
10,000	34.2	11,000	33.4	11,500	34.1
12,000	37.7	13,200	37.1	13,800	38.2
14,000	41.2	15,400	40.8	16,100	41.6

Viewed in this light Mr. Healey's Budget gives little to those whose efforts and initiatives can make or break Britain over the next decade.

R. T. Murray,
Nether Stowey,
Bates Lane,
Helsby, Cheshire.

To-day's Events

GENERAL

TUC general council meets.

Meeting of Labour Party national executive committee.

Prime Minister addreses Labour Party public rally, Isleworth Polytechnic, 8 p.m.

Confederation of Shipbuilding and Engineering Unions decides its official attitude to impending closure of British Leyland plant at Speke, Merseyside.

Council of Europe Parliamentary Assembly continues, Strasbourg.

Royal College of Physicians' report on Fitness of Airline Pilots.

Mr. Edmund Dell, Trade Secretary, opens first in series of one-day seminars to encourage exports to Australia, Inn on the Park, W.1.

EEC Agriculture Ministers' meeting continues, Luxembourg.

Mr. Bruce Millan, Secretary for Scotland, speaks at Scottish Police Federation conference, Peebles.

Sir Peter Vanneck, Lord Mayor of London, receives Dr. Leo Kaprio, European regional director, World Health Organisation, at Mansion House, E.C.4.

PARLIAMENTARY BUSINESS

House of Commons: Inner Urban Areas Bill and Home Purchase Assistance and Housing Corporation Guarantee Bill, remaining stages.

House of Lords: Debate on problems of southern Africa. Debate on future of the Elizabeth Garrett Anderson Hospital.

Select Committees: Social Services and Employment, subcommittee. Subject: Employment and training in the new unemployment situation. Witnesses: National Council for Social Service (4 p.m. Room 6). Nationalised Industries, sub-committee C. Subject: Independent Broadcasting Authority. Witnesses: Advisory Committee of the IBA; Incorporated Society of British Advertising. (4 p.m. Room 8). Public Accounts. Subject: Appropriation Accounts. Witnesses: Department of Education and Science; Scottish Education Department; University Grants Committee. (4 p.m. Room 16). European Legislation. Subject: Oil stocks, electricity investment and world energy situation. Witness: Mr. Anthony Wedgwood Benn, Energy Secretary. (4 p.m. Room 15).

COMPANY RESULTS

European Ferries (full year). Foseco Minsep (full year). Gerr and National Discount Compa (full year). Gill and Duffus (year). Telephone Rentals (year).

COMPANY MEETINGS

Anglia TV, Norwich, 2 Equity and Law Life Assuran 20, Lincoln's Inn Fields, W 12.15. Garton Engineering, B Hotel, Birmingham, 12. Moll Great Eastern Hotel, E.C., Rights and Issues Investm Trust, Dauntsey House, Old Jew E.C., 11. Sale Tilney, 28, Que Anne's Gate S.W., 12.30. Sun Kulim Rubber Estates, Plantat House, E.C., 12.

COMPANY NEWS + COMMENT

Associates' growth lifts TKM to £5.5m.

AN ADVANCE in the contribution from associate companies' taxable earnings, from £887,000 to £1.19m., enabled **Tozer Kemsley and Millbourn (Holdings)**, international finance and investment group, to show increased profit for 1977 of £5.52m., against £5.21m.

Turnover was marginally better at £916m., compared with £909m. At half-way, profit was maintained at £1.73m. (£1.72m.).

After lower tax of £1.45m. (£2.7m.) earnings per 20p share for the year are stated at 10.4p (7.6p) averaged basic and 9p (6.1p) fully diluted. On shares in issue at year-end the figure is 8.2p basic and 8p fully diluted. A final dividend of 2.2702p net lifts the total, with Treasury consent, to 3.0954p (2.4388p) on capital increased by rights issue.

The contribution from the international trade finance division was higher and overall profits from subsidiary and associated companies within the investments division were maintained. However, in the timber and woodpulp industries Price and Pierce suffered setbacks from the effects of economic recession; and also from the travel industry, in common with all U.K.-based foreign travel businesses, the directors say.

The results for the group have been affected by two changes in accounting policy. The net premium on consolidation of concessionary companies is now being amortised over the known life of the concessions, and deferred tax has been treated in line with ED19. The comparatives have been restated.

Overseas tax provision in 1976 was, as reported at that time, disproportionately high.

● comment

After a static first half, TKM's second half profits rise of just under a tenth was better than expected, and the shares rose 4p to 51p. The fillip came from associates, where profits are 35 per cent. higher thanks to much better results from Mazda (GB), County Commercial and Abelson, while the South African loss was reduced. But overall, growth is still being inhibited by Price and Pierce, who profits are less than half the £2m. earned in 1976. Here, the lower level of trade hit timber dealings while woodpulp profits slumped along with the fall in pulp prices (down about 20 per cent.). Also, the depreciating pound kept Britons at home and the OSL villa and Wings travel interests incurred a £0.4m. loss. There has now been a revival in the travel business and this loss should be reversed in the current year, but the company's timber and pulp interests continues to be a worrying factor. The shares on average capital are on a p/e of 5.4 (fully diluted) on a low tax charge while the yield is 9.6 per cent.

HIGHLIGHTS

Letraset's bid for **J. and L. Randall** ruffled a few feathers in the market, which has for a time been expecting a bid for Letraset itself. However, the deal makes good balance-sheet sense for Letraset, and there is a 90 per cent. dividend increase. The annual report from **RTZ** emphasises the depressed state of base metals, with net profits on lead and zinc nearly 50 per cent. lower. Lex also takes a look at the proposed sale of **Magnum Fund** by **Rothschild Investment Trust** and the figures from **Edith** where there is a boom in demand for its services—the provision of long-term capital for unquoted securities. Stock losses in the second half took its toll on **Travis and Arnold** and current sales figures are far from encouraging. **Bodycote** fortunes also took a turn for the worse in the second half, with profits only 5 per cent. higher after a first-half gain of more than a third. In contrast, **Tozer Kemsley** made a better showing in the latter six months after the rather static interim performance, thanks to a better showing by the associates. **Marshall Cavendish's** profits trend followed a similar pattern to Tozer, but there is some concern over the inability to diversify away from partworks.

Marshall Cavendish advances

ON TURNOVER ahead from £12.85m. to £20m. taxable profit of **Marshall Cavendish**, book and magazine publishers, was lifted from £2.88m. to £3.08m. in 1977.

After tax of £1.68m. (£1.49m.) and minority interests of £20,000 (£16,000), attributable profit was £1.38m. (same).

The directors say they remain optimistic about the future but say a strike by some editorial staff, now settled, and the closure of a new magazine in the last three months make it premature to forecast results for 1978.

A final dividend of 3.036p net per 10p share takes the total from 3.9p to 4.356p. At halftime, profit was ahead from £1.19m. to £1.2m., and directors were confident of profits at least equal to those of 1976.

● comment

After a virtually static first half Marshall Cavendish's profits rose by just over a tenth in the closing six months, but the underlying performance is somewhat depressing because the attempts to diversify away from partworks are not progressing as planned. The loss-making record company —Transatlantic—bought last July, has been trimmed down to bring it back to break-even but it is unlikely to contribute to profits to any extent this year. The craft cards, such as cookery, which were launched by mail order have not done very well, while the move into expensive books has proved successful but it is taking longer than expected to recover the heavy front-end costs of these publications. So despite its moves to diversify MC is still dependent on partworks, not only for most of its profit but also for sufficient cash flow to finance the diversification. Fortunately partworks are selling well, and another four or five launches are planned for this year. However an 11 weeks' strike by editorial staff has hit schedules; some publications aimed for next Christmas have been postponed and the strike finally nailed the fate of the unsuccessful *"Faces" magazine*. The short-term profits outlook is not exciting but at 51p the price is well supported with a yield of 13.8 per cent. covered 1¼ times. The p/e is 7.

Upsurge at Farnell Electronics

AFTER RISING from £0.69m. to £1.13m. at midway, pre-tax profit of **Farnell Electronics** jumped from £1.97m. to a peak £3.14m. in the year ended January 31, 1978.

Turnover for the year rose from £14.13m. to £18.21m., and after tax of £1.65m. (£1.04m.), net profit was £1.49m. compared with £0.93m. last time.

Earnings per share are shown at 24.1p (15p), and a final dividend of 4.29p net per 20p share takes the total for the year from 3.8318p to 6.6p.

The results include other income of £87,345 (£106,629), and last year there was an extraordinary debit of £112,000 relating to a "topping-up" payment to a pension fund.

● comment

Farnell Electronics' near two-thirds rise in pre-tax profits reflects an improving market share in the two main subsidiaries. They are Farnell Electronic Components, a leading U.K. distributor of semiconductors, integrated circuits, capacitors and resistors, and Farnell Instruments, its principal manufacturing subsidiary making a wide range of power supply units. Sales volume of such products — including consumer electronic goods (radio, TV, etc.) distributed by A. C. Farnell — registered an increase of some 19 per cent. With the consumer electronics market expected to improve further this year, Farnell expects to maintain its profits growth rate this year. Meanwhile, it has closed Farnell K-F, a manufacturer of loudspeakers, which was beset by production problems and depressed market conditions. Another weak link in the group, BBH Coil and Transformer Manufacturing has moved into a new factory and overcome initial technical problems. At 233p yesterday, the shares yield 4.4 per cent. on a p/e of 9.5.

Upturn at Ellis & Goldstein

REFLECTING THE better realisation of end of season stocks, profits of **Ellis and Goldstein (Holdings)** recovered from £390,000 to £757,000 in the second half of 1977-78. This has more than made up for the first-half shortfall and the total pre-tax balance for the year ended January 31 comes through ahead from £926,000 to £1.23m.

While the value of retail sales at £10.6m. was about unchanged in the second half compared with the same period last year, the value of turnover at wholesale prices shows an improvement from £4.94m. to £5.91m. which includes a 25 per cent. increase in direct exports.

The difficulties in Canada and Australia continue as the economies of both countries are depressed and activity of the group is restricted by import controls.

Sales of spring merchandise at home have begun satisfactorily and initial orders for autumn are good but these factors provide no basis for a forecast for the current year, the directors state.

The year's earnings per 5p share are stated to be up from 1.8p to 2.3p. The dividend is —from 1.7189p to 1.904328p net, with a final of 1.024328p.

	1977 £000	1976 £000
Total	30,394	25,546
Home wholesale	5,929	8,603
Exports	1,381	1,230
Home retail	16,357	16,101
Exports	2,737	2,390
Depreciation, etc.	316	473
Profit	1,240	918
Interest received	27	62
Interest paid	62	54
Pre-tax profit	1,225	926
Taxation	682	516
Net profit	543	410
Dividends	446	397
Added to c/f	97	13

The group's business is that of wholesale manufacturers of coats, costumes, etc.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Border & Southern ...int.	2.75	May 31	2.5	—	7.5
Bodycote Intl.	1.41	July 3	1.26	2.72	2.43
Border & Sthn. Stockholders ... int.	2.75	May 31	2.5	—	7.5
A. Caird & Sons	8.3‡	—	7.43	8.3	7.43
Channel Is. & Intl. Tst.	15	June 26	12.5	15	12.5
Clyde Petroleum	1	June 1	nil	1	nil
Ellis & Goldstein	1.02	June 8	0.91	1.90	1.72
Eng. Nat Defd.	1.71	June 28	1.35	2.42	1.86
Estates Duties Inv. Tst.	5†	June 20	4.39*	8	7*
Fairbairn Lawson	2.65†	July 3	1.28*	3.65	2.1*
Farnell Electronics	4.29	—	2.44	6.6	3.83
F. C. Finance	1	—	1.5	2	1.5
Futura Holdings 2nd int.	1.4	May 19	1.4	2.45	2.45
Lake View Trust	1.65	July 3	1.45	2.4	2.1
Lindsay & Williams	2.5	May 24	1	3	1
Linread ...int.	1§	—	1	—	2
Marshall Cavendish	3.04	July 3	2.93	4.36	3.9
L. & J. Randall	1.67	—	1.51	1.67	1.51
Siemssen Hunter	†1.43	—	1.07	2.79†	2.14
Silentnight	2.74	—	2.49	4.01	3.64
Tozer Kemsley	2.27†	June 15	1.79	3.09	2.44
Travis & Arnold	3.12	—	2.8	3.81	3.41
Wood & Sons	0.33	May 31	0.59	0.66	0.59

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Supplementary 0.1142p for 1976-77 on reduction of ACT. § 1.5p final forecast.

Silentnight expansion to peak £3.2m.

IN A difficult period for the furniture industry **Silentnight Holdings** expanded pre-tax profit by £0.5m. to a record £3.23m. on sales ahead from £30.47m. to £38.48m. for the year to January 28, 1978. A one-for-two scrip issue is proposed.

At halftime the group, which makes divan sets and upholstered furniture, reported profit up at £1.3m. (£1.16m.).

Sales outside the U.K. at full-time were better at £2m. (£1.5m.). Substantial extra manufacturing capacity was brought on stream during the year, and still further large increases are planned for the current year.

Mr. Tom Clarke, the chairman, says that internal budgets plan for further growth in profits during 1978-79 and management accounts for the first two months indicate results in line with budgets.

Before tax of £415,000 (£260,000) stated earnings per 10p share for the year were 32.3p (27.3p) and, after tax, 28.2p (24.7p). A net final dividend of 2.73939p lifts the total to 4.00939p (3.6449p). Dividends cost £231,279 (£228,717) after waivers of £149,660.

The balance sheet reflects both the growth in the company and the investment of £2.7m. in fixed assets and £1.8m. in acquisitions. The financial position remains strong, with borrowings representing 32 per cent. of shareholders' funds totalling £8.81m. and reserves stand at £7.81m., the chairman says.

● comment

In sharp contrast to the furniture trade as a whole Silentnight had a good year in 1977. Sales increased by 26 per cent., indicating volume growth of about 15 per cent., and pre-tax profits climbed by over 18 per cent. The two acquisitions made towards the end of the year did not make any profit after reorganisation costs, but this year there should be a positive contribution. Though no industry figures for beds are published, Silentnight claims to be increasing market share, and though margins were down last year against 1976—8.4 per cent. compared with 9 per cent.—the company does not see any deterioration in 1979. With consumer spending rising the background is even better for Silentnight in 1978 and helped by the two acquisitions, which take it into the reproduction furniture market for the first time, another good increase in profits is on the cards this year. The shares have been one of the best performers in the furniture sector over the past year and after yesterday's 9p rise to 92p the yield of 6.8 per cent. and p/e of 3.2, or 5.8 fully taxed, is probably as high a rating as can be expected.

Marginal rise by EDITH

WITH A fall in interest rates in short-term deposits being compensated for by a £250,000 rise in dividend income, taxable revenue of **Estates Duties Investment Trust** improved marginally from £2.18m. to £2.26m. in the year to March 31, 1978.

Tax for the 12 months took £840,203 (£869,485) for earnings of 9p (8.3p) per £1 share. The net dividend is effectively raised from 7p to 8p with a final of 5p, and a one-for-10 scrip issue is also proposed.

Commenting on the outlook for the current year the directors state that they expect a larger rise in dividend income. *During* the March 1978 year a record amount was invested in unlisted shares and prospects for future investment remain very good.

EDITH is an authorised investment trust specialising in the acquisition of shares in private companies to hold as long-term investments. It is managed by Industrial Commercial Finance Corporation, which is a subsidiary of the private financial institution, Finance for Industry.

See Lex

Near £8m. loss for LASMO

The consolidated loss of **London and Scottish Marine Oil Company** in 1977 was £7.86m., an improvement of £297,000 on the *anticipated loss outlined* in its June offer for sale documents.

Directors say the improvement was largely due to the interest received on surplus funds being higher than anticipated.

The loss arose mainly from interest paid on monies borrowed to finance the group's 9 per cent. share of Ninian Field development costs and is after charging £274,000 in respect of exploration and drilling expenditure now considered abortive, a provision against unquoted investments, and a credit of £217,000 in respect of Government grants received.

Oil production from the Ninian Field is expected to commence this autumn.

● comment

Lasmo's 1977 figures are virtually as forecast in last July's offer for sale prospectus. What has changed since the prospectus is the likely date when the Ninian Field will start producing. Then it looked as if Ninian would start flowing by June of this year but the bad weather during the winter has put the date back to around September. Once the oil starts flowing Lasmo's cash outflow will be reversed but profits are unlikely before 1980. Next year the cash-flow from Lasmo's 9 per cent. stake in Ninian will not cover the full costs of interest plus depreciation. However the company is hoping to start repaying its bank loans in 1979—currently standing at £35m. including £5m. of overdraft—which will cut interest charges in 1980 and open the way for a dividend of the bank loans must be repaid before a dividend can be considered. At 166p the market capitalisation is £80.7m.

directors said they anticipat[e] substantial increase in the year figure.

After tax of £1.86m. (£0 earnings are given as (adjusted 3p) per 20p share dividend is lifted fro[m] adjusted 1.695p to 1.944p, April 26.

Upsurge at Lindsay & Williams

AFTER TWO depressed Lindsay and Williams, ma[nufac]turer of electric cable mat etc., finished 1977 with p[re-tax] profits well ahead from £ to £195,949. This figure is n short of the record £220,0 1974—itself some £150,000 than anything previous.

Profit growth accelerated i[n the] second half of 1977. After a round from a loss of £2,113 surplus of £51,896 at midwa[y] last six months gave £1 against £49,796.

There are no extraord[inary] items this time compared w £2,117 credit. Earnings pe[r] share are shown to have from 2.2p to 13.6p; taking account last year's extraord credit the figure was 2.4p. final dividend is 2.5p, lifting total payment from 1p to 3

Turnover for the 12 mo expanded from £2.27m. to £2 and tax took £54,575 (£24,761

Reflecting the confidence directors have in the f development of the group have approved capital expend in excess of £250,000 for 1978 significant part of this is for manufacturing capacity to sup anticipated growth. They re that existing financial arra[nge]ments will be sufficient to this expenditure.

Expressing difficulty in ma[king] a specific forecast for the cur year they state that due to cable industry remaining pressed the order book is s However, the rationalisation company's affairs will miti these problems and there is sufficient spare capacity avail to take full advantage of an turn in the world market.

Sheffield Twist

ON TURNOVER of £23.46m. against £18.76m., taxable profit of Sheffield Twist Drill and Steel Company, which is owned by Aktiebolaget SKF, jumped from £1.62m. to £2.67m. for 1977.

At mid-way, when profit was ahead to £1.44m. (£0.51m.), the

ISSUE NEWS

Yearlings slip to 8¾%

The coupon rate on the yearling bonds has dropped this week from 9 per cent. to 8¾ per cent. The bonds are dated May 2, 1979 and issued at par.

This week's issues are:— Bury Metropolitan Borough Council (£½m.), Lichfield District Council (£½m.), Buckinghamshire County Council (£1½m.), London Borough of Hounslow (£½m.), Kilmarnock and Loudoun District Council (£½m.), London Borough of Wandsworth (£1m.), Fife Regional Council (£1m.), Alnwick District Council (£150,000), London Borough of Greenwich (£1m.), Hastings Borough Council (£½m.), Borough of Knowsley (£1m.), Tewkesbury Borough Council (£½m.), Sedgefield District Council (£1m.), Llanelli Borough Council (£½m.), N[illegible] District Council (£½m.), Shropshire District Council (£½m.), Royal Borough of Kensington and Chelsea (£½m.).

The London Borough of [illegible]ham has issued £½m. of 10½ per cent. bonds at par dated April 1981.

The City of Bath has issued £½m. of 11¼ per cent. bonds dated April 21, 1982 at par.

Tameside Metropolitan Borough Council has issued £1m. variable rate bonds dated April 20, 1983 at par.

Two year bonds carrying a coupon of 9⅝ per cent. issued at par and dated April 23, 1980 have been placed by Welwyn-Hatfield.

U.S. DEBENTURE CORPORATION

United States Debenture Corporation reports that holders of £993,519 of the 5 per cent. Convertible Stock 1983 has applied to convert their holdings into Ordinary shares. This will result in the allocation of a further 1,092,889 Ordinary shares.

Travis & Arnold downturn

A DOWNTURN in second half earnings from £2.42m. to £1.8m. at **Travis and Arnold** left pre-tax profit down from £4.23m. to £3.79m. in 1977. Turnover climbed from £43.09m. to £51.36m.

The directors say indications are that the decline in the value of timber and forest products has now ended and the improving trend in housing starts should lead to increased demand for general building materials during 1978.

After tax of £1.83m. (£0.7m.), attributable profit was £1.94m. (£3.5m.), and retained profit came out at £1.69m. (£3.28m.).

During the year freehold properties were revalued and the £1.01m. net surplus has been added to non-distributable reserves.

Earnings per share are shown at 45.6p (50.9p) before tax, and 23.5p (42.4p) net of tax, and net tangible assets per share are given at 215p.

A final dividend of 3.1219p net per 25p share takes the total from 3.4145p to a maximum permitted 3.8137p. Dividends on 1.71m. shares have been waived.

Last year's results of the builders' and plumbers' merchanting and timber importing group have been adjusted for ED19.

● comment

Travis and Arnold was hopeful throughout last year that it might just weather the depressed housebuilding industry. In the event, the continuing low volume in housebuilding led to a near 25 per cent. fall in the second half in the cost price of timber and forest products. The resultant "significant" stock loss brought pre-tax profits in the second half down by some 18 per cent. and erased the interim gain. As some recent acquisitions in the South West accounted for about 3½ per cent. of the sales growth, the group was virtually in a static position. Though the prices of timber products appear to have bottomed out, figures for January and February sales are less than encouraging. So despite an improving trend in housing *starts from February, the first* half of the current year is likely to prove difficult. Any prospect of recovery would have to come in the second half. The shares fell 2p to 139p yesterday, which give a p/e of 5.8 on a yield of 4.3 per cent.

A. Caird at a best ever £166,292

Turnover for the year to January 31, 1978 of A. Caird and Sons rose from £2.2m. to £2.46m. and pre-tax profits advanced from £103,626 to a record £166,292.

In November, reporting a first half increase from £3,400 to £7,300, the directors said a reasonable full year improvement was expected.

After tax of £90,006 (£57,099) full year earnings are shown to be up from 13.04p to 21.71p per £1 share and the dividend is raised from 7.4324p to the maximum permitted 8.3012p. A supplementary dividend of 0.1142p will also be paid for 1976-77 following last year's reduction in ACT.

The company operates as retailers of clothing and sporting goods.

GRINDLAYS BANK

Results, both before and after tax, at Grindlays Bank in the current year are higher than for the same period in 1977, Mr. N. J. Robson, the chairman, told yesterday's annual meeting of Grindlays Holdings.

Royal London Mutual

AT THE end of last year, the **Royal London Mutual Insurance Society** held 60 per cent. of its assets in equities and property, reports Mr. T. Cowman, in his chairman's statement delivered at yesterday's annual meeting. This holding reflects the Society's continuing view that the long-term prospects for these types of investment were more favourable than for fixed-interest stocks.

It was the intention to continue to hold a substantial proportion of the funds in equities and property. However, he points out the need to hold a certain proportion of fixed-interest stocks to meet the long-term guaranteed liabilities, and for this reason a substantial proportion of new money was put into gilt-edged stocks.

Mr. Cowman refers to the 1977 new business figures where new annual premiums rose by 8.7 per cent. to £3.1m. in the ordinary branch and by 15.6 per cent. to £4.9m. in the industrial branch. He regards these as representing successful operations by the field staff considering the severe economic condition. Overall premium income improved by 8.9 per cent. to £15.7m. in the ordinary branch and by 10.3 per cent. to £23.4m. He expresses concern over the proportion of premium income being absorbed by expenses, but feels confident that the developments recently introduced will in the long-term reduce the unit cost of administering the business.

Bemrose to generate cash for growth

Mr. David Wigglesworth, group chief executive of **Bemrose Corporation**, forecasts that the major group activities should continue to benefit from a record level of investment to produce advancing profits and to generate cash for further modernisation and growth.

Last year the company spent £2.9m. on machinery and buildings and this level of expenditure will be maintained in 1978.

Commenting on the gravure transfer prints division which slipped from a "substantial profit" to a loss of £460,000 last year, Mr. Wigglesworth reports that the volume of orders for the spring season has been reasonable but prices are still very depressed.

As already reported, turnover for 1977 climbed by £6.57m. to £39.89m. but pre-tax profits fell from £2.19m. to £1.75m.

Meeting, Abercorn Rooms, E.C., on May 31, at 11.45 a.m.

Linread up £45,000 in first half

With the elimination of losses from its Australian operations which last time cost £102,000, taxable profit of Linread climbed £45,000 to £180,000 in the half year to January 28, 1978.

Turnover of the cold-forged fastener-maker for the period was £7.04m., compared with £6.81m., and the profit was after depreciation of £209,000 (£210,000) and interest of £137,000 (£214,000).

Tax took £102,000 (same) and there were extra-ordinary profits of £220,000 (£110,000) net of tax.

Basic earnings per share are shown at 1.21p against a restated 0.33p last year and the interim dividend is held at 1p net per 25p share.

All but 0.001p of the dividend has been waived on 2.24m. shares.

Last year, when profit before tax was £166,000, a 1p final was paid. Linread's Australian operations were substantially reduced last year when losses totalled £286,000.

For the current year the directors are hopeful that they can achieve a trading profit, before depreciation and interest, of about £1.2m. and that attributable pre-tax profit will be about £400,000. On this basis they would propose a final dividend of 1.5p.

They say the improvement in the aircraft products division which was loss-making in the annual report last year, is now appearing although significant profitability is still not in immediate prospect.

U.K. prospects in the second half depend largely on the ability of British manufacturers of consumer durables and motor cars to attract to their products the increasing disposable income of consumers.

Indications are that customers' fastener requirements are in fact expanding and they believe that the increase in sales that this should generate will enable them to achieve an improvement in trading profit in the U.K.

Results in Germany in the second half should again be buoyant although in Canada the small loss of the first half will probably be repeated.

London Life Association

Long-term funds of **London Life Association** rose by over £36m. last year to £278m. according to the report and accounts for 1977. Premium income on assurances fell by £3.5m. to £11.3m., but premium income on annuities rose by nearly £1m. to £16.5m. Investment income was 25 per cent. higher at £23.7m. and the revaluation of investments added £11.4m. compared with an addition of £6.3m. in 1976. Claims were 8 per cent. higher at £18.2m. and expenses 12 per cent. more at £4.3m.

The report points out that for some years, the investment policy of the Association has been to put approximately equal amounts into fixed-interest and equity-type investments (ordinary shares and property). At the end of the year, the portfolio was spread between fixed-interest (38.7 per cent.), equities (29.4 per cent.), property (20.7 per cent.), mortgages and loans (8.7 per cent.) and deposits (1.5 per cent.). Owing to the transfer of funds from London Life to its Managed fund subsidiary resulting from the surrender of PSSU policies, there was very little new money to invest last year. The proportion in property was reduced by the sale of the company's development at Clements Inn.

EIS

Electrical and Industrial Securities is an independent publicly quoted process plant, machinery and precision engineering group. In yesterday's report on the results for 1977 the company was incorrectly described as being a subsidiary of British Electric Traction. We apologise for this error.

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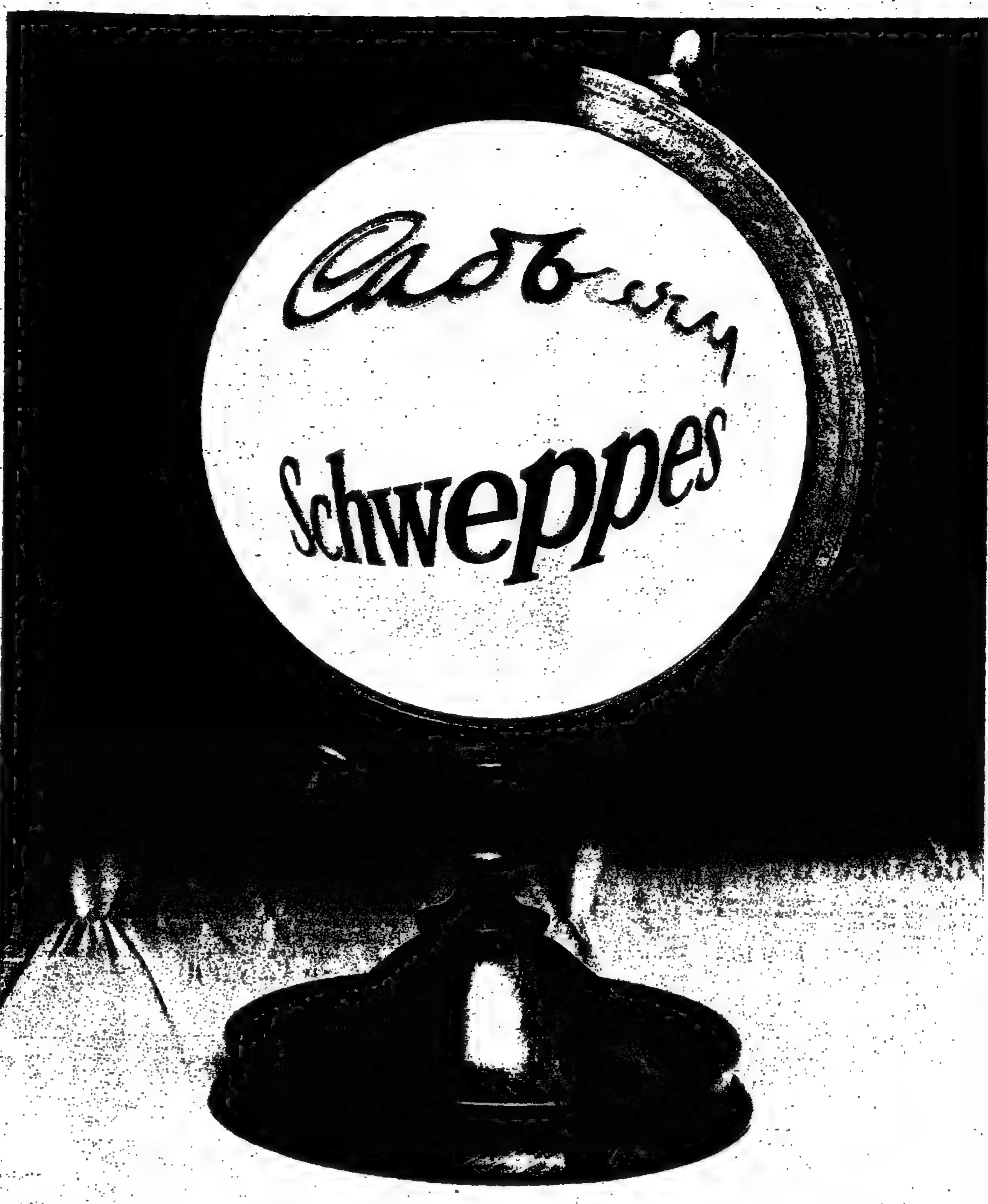
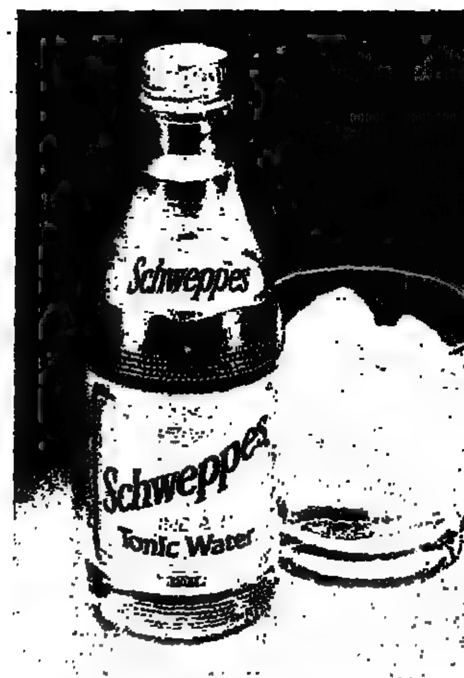
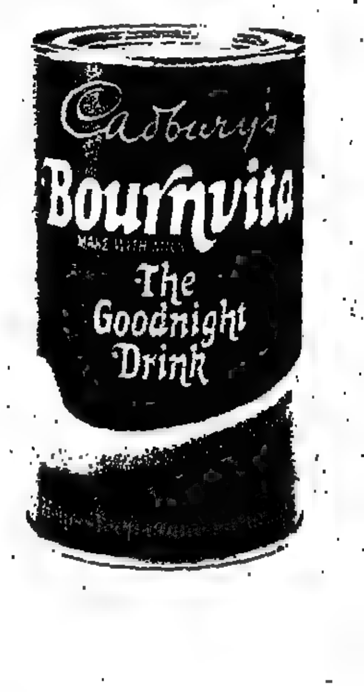
Cadbury Schweppes around the world







Our Report and Accounts, which has been posted to shareholders, includes my statement on trading conditions together with a review of our world operations. These are some of the highlights.

Adrian Cadbury.

25th April, 1978. *CHAIRMAN*

1977 RESULTS

1977 sales at £884 million were 12% up on the previous year, while the profit before tax rose from £46.4 million to £48.2 million. These results marked continuing progress in strengthening the Company's operating base. We have continued to concentrate on the main stream of the business and on building for the future.

The level of marketing investment was over £10 million higher than in 1976 and will be maintained this year to increase the share of market of our major brands.

The build-up of our overseas operations continued and 48% of the trading profit came from outside the U.K.

The U.K. Confectionery Division made a substantial contribution to the results and the Canadian business is now trading profitably.

Prices of tea, coffee and cocoa fluctuated considerably in 1977, but all fell back from the high points they reached during the year. Through careful buying, product prices have been held as steady as possible and the peaks of commodity prices averaged out. The Company has every incentive to pass the benefits of its raw material buying on to consumers to win market share and volume sales.

FORWARD LOOK

In spite of all the uncertainties, the Company's aims are clear. We aim to grow by concentrating our marketing and technical effort behind the Company's major brands and we have two main objectives over the next five years. One is to build on our established position in the North American market. I said last year that we needed to broaden the appeal of Cadbury and Schweppes products to obtain a greater share of what is still the largest and fastest growing single market in the world. The U.S. $58 million bid for Peter Paul Inc. announced in February 1978 is geared to do this for our confectionery business in North America. The increased marketing investment behind Schweppes drinks has a similar aim.

The other objective is to improve the Company's return on assets in the U.K. This is again based on concentration of effort behind the major lines and firm financial targets have been set over the period between now and 1982.

It is not possible to make a firm forecast of the likely outturn for 1978 but we are budgeting for an increase in profits. The results should be assisted by a rise in consumer expenditure in the U.K., and by more stable raw material prices.

REVIEW OF OPERATIONS

PRODUCT ANALYSIS

	Sales £884m	Trading Profit £59.4m
Confectionery	41%	51%
Drinks	25%	21%
Tea and Foods	29%	25%
Health & Chemical Products	5%	3%

UNITED KINGDOM REGION

Confectionery

Cadbury assortments, Cadbury and Fry count lines, Cadbury moulded chocolate, Christmas and Easter seasonal lines, Pascall Murray sugar confectionery.

Despite very substantial increases in consumer prices following the rise in the world price of cocoa bean, the chocolate industry has maintained a high level of activity. In 1977, industry volume sales were approximately 3% less than in 1976 but were more than 25% up in value. The Confectionery Division had an excellent year's trading and again made a very substantial contribution to Cadbury Schweppes' profits. This was achieved even though price increases had a greater effect on the moulded chocolate market – where we have a dominating share – than on other market sectors.

Drinks

Schweppes minerals and soft drinks, Rose's Lime Juice, "Cresta", "Zing", "Pepsi-Cola", "7-Up", "Suncrush" and "Kia-Ora".

In spite of a difficult year the Division achieved brand leadership for Schweppes fruit juices, successfully extended "7-Up" to national coverage and increased market shares in the take-home trade for Schweppes and "Pepsi" brands. The investment programme continued to up-date plant and secure maximum efficiency from newer bottling and canning layouts.

Wines & Spirits

"Dubonnet", Andre Simon Wines, Cusenier, Imported Spa Water.

We have continued the development of the Andre Simon range. Schweppes Agencies had a good year and "Dubonnet" continues to make good progress.

Tea and Foods

Typhoo tea and teabags, Cadbury "Bournvita", chocolate biscuits, Cocoa, Drinking Chocolate, "Marvel", "Compliment", "Smash", "Snack Soup", "Soya Choice", Hartley's jams, canned fruit and vegetables, Chivers' jellies and marmalades, Rose's marmalades.

The Division held or improved the share of all its major products.

Typhoo tea is of major importance but following heavy buying in the first half of the year, there was a marked fall-off in orders in the last six months.

"Soya Choice", our textured vegetable protein range achieved sales and market share well ahead of target.

Kenco

"Kenco" coffee.

Prices of raw coffee reached unprecedented levels in the middle of the year. Nevertheless, Kenco had a very successful year's trading.

Health and Chemical Products

Jeyes Fluid and "Babysoft" paper products, "Parozone" bleach, "Sanilav", "Bloo", "Ibcol" and "3 Hands" disinfectants. "Wonderflame" fire lighters; contract packing of aerosols and the manufacture of plastic products.

The Division achieved an impressive turnround from the disappointing profits of recent years and 1977 profits were well above the budgeted levels.

Jeyes in the U.K. had a very successful year; volume was maintained and market share in our major brands increased. Aerosols International returned to its former role as an important profit contributor. Middleton Plastics' profits were well ahead of 1976. Jeyes in Ireland traded under very difficult conditions and profits were not as high as expected.

Concentrates and Essences The Division's profits exceeded those for 1976.

GEOGRAPHICAL ANALYSIS

	Sales £884m	Trading Profit £59.4m
United Kingdom	60%	52%
Europe	8%	9%
North America	7%	4%
Australia	12%	16%
Africa	7%	12%
Other	6%	7%

AMERICAN REGION

The American Region came back into profit in 1977 as a result of the expected growth in profits for Schweppes, Rose's and Powell and a reduction in Cadbury losses.

For Schweppes in the U.S.A., sales reached another record. In Canada, Schweppes sales were 43% over 1976. The new drink "Rondo" exceeded targets.

Rose's Lime Juice sales in U.S.A. were 7% ahead of 1976 and Powell's major brands in Canada were well over previous years' levels.

For Cadbury in Canada sales progressed as did market shares, but in the U.S.A. both sales and profits reflected the dullness of the market and our declared commitment to investment in long-term marketing.

AUSTRALIAN REGION

Company sales were 9% above 1976 with net profit before tax at £9.1 million, 24.5% above 1976.

Schweppes sales volume increased by 11% over the previous year; market share was held and gross profit increased by 2.5%. Cadbury showed an upward movement in its market share and increased profit through its new range of "Chunky" chocolate bars which captured a phenomenal £6 million turnover between May and December last year.

New Zealand Cadbury Schweppes Hudson Ltd. had a highly satisfactory year.

EUROPEAN REGION

Sales of Cadbury Schweppes products in Europe reached £69.5 million, an increase of 5% over 1976. The volume of Schweppes sales continued to expand as a result of the successful development of new markets. Our market shares continued to show consistent growth and trading profits increased to £5.3 million.

Ireland Cadbury Ireland Ltd. had a very successful year, achieving a substantial increase in profits as well as increased home and export sales.

Sweden Despite severe economic difficulties in Sweden, Cadbury Slotts A.B. again achieved record profits. Exports again showed considerable growth and improved profitability.

West Germany and Austria Sales of Schweppes products re-established their growth pattern towards the end of the year and sales of Chivers' jams exported from the U.K. doubled in volume.

The Company signed an agency agreement for the sale and distribution of Domecq products from Spain and sales began in September.

During the year, the Cadbury licence agreement with Storck came to an end and plans were put in hand to re-enter the German market with chocolate exported from England.

Belgium and France The Cadbury business in France continued to expand, with exports from the United Kingdom reaching a record £2.25 million.

Spain Rapid inflation and low summer temperatures combined to make 1977 a difficult trading year. Relative to competitors in the soft drinks market, the Schweppes brand sales held up well.

Italy The policy of concentrating our efforts behind the Schweppes brand has continued and significant gains in market share have been achieved.

Franchises Sales volumes continued to expand. Our operation in Bulgaria is fully meeting expectations and considerable progress has been made in generating interest in other East European countries. The franchise opened in Turkey in late 1976 has shown spectacular growth.

AFRICA

Cadbury Nigeria Ltd. traded well with volume sales approximately 40% up on 1976 with record figures for both sales and profits. A trebling of tonnage capacity to meet demand is envisaged by 1982. Bournvita business more than doubled in the last three years reflecting the enormous popularity of cocoa and malt drinks over the traditional beverages of tea and coffee. During 1977 a 100% Nigerian-owned company was granted the Nigerian franchise for Schweppes. Cadbury Schweppes has the contract to manage the operation and to build the factory which should start production in 1978.

Cadbury Ghana had difficulties in obtaining import licences but in spite of this, performed well with a significant increase in profits in 1977.

Cadbury Schweppes Kenya Ltd. had another record year with soft drinks sales in particular showing above-average growth.

Cadbury Schweppes (Zambia) Ltd. also had a successful year despite continued shortages of raw materials.

In South Africa, the economy continued to be depressed and this, coupled with high cocoa prices, made 1977 a very difficult year for Cadbury Schweppes (South Africa) Ltd. While confectionery profits were below those earned in 1976, the Schweppes franchise operation earned satisfactory profits in its first full year's trading.

ASIA

The first major diversification project of Cadbury India Ltd. – Sal Fat manufacture – was commissioned on schedule. This project is entirely export-orientated and fulfils a major requirement of Indian industrial policy.

Cadbury Confectionery Malaysia Ltd. in its first full year of operations traded profitably.

The sales and profits of our confectionery joint venture in Japan in the year ending 31st March were on budget.

Our Schweppes franchise in Hong Kong had a record year both in sales volume and in royalties.

EXPORTS UP 48%

All sectors of our U.K. export business enjoyed another year of good results. Sales, embracing ten major company brands, achieved record levels with revenue in excess of £49 million which was 48% higher than in 1976.

Annual General Meeting

The Annual General Meeting will be held at 12 noon on Thursday, 25th May 1978 at the Connaught Rooms, Great Queen Street, London, WC2.

Copies of the Report and Accounts incorporating the full Statement by the Chairman and the Review of Operations are available on application to The Secretary, Cadbury Schweppes Limited, 1/10 Connaught Place, London W2 2EX, England.

Bodycote up by 17% to £2.04m.

REFLECTING good results from the industrial protective clothing and safety products division, pre-tax profit of Bodycote International, the Manchester-based textiles group, went ahead by 17 per cent. from £1.7m. to a record £2.04m. in 1977, after a 35 per cent. rise from £707,000 to £957,000 at halfway.

Turnover for the year advanced by 10 per cent. from £23.32m. to £25.7m. After tax up from £942,725 to £1,007,044, attributable profit rose from £786,004 to £1,027,061 and earnings per 25p share are shown to have increased from 100.8p to 13.01p.

As forecast the final dividend is 1.4126p, raising the net total from 2.4313p to 2.7155p, the maximum permitted.

Mr. Joseph C. Dwek, the chairman, reports that the trading momentum achieved during the earlier part of 1977 undoubtedly *helped* to sustain the group through the last six months when trading conditions deteriorated significantly.

The main support for the good results came from the companies comprising the industrial protective clothing and safety products division. Other subsidiaries, particularly the textile processing division, were adversely affected by a general reduction in the volume of consumer demand.

Mr. Owek says it is far too early to predict the outcome for 1978. Much will depend on the group's performance in the second half of the year. Although the subsidiaries in the industrial protective clothing and safety products division have made a good start, trading conditions elsewhere are not buoyant.

● comment

Bodycote's first half profits growth of more than a third has slumped to 5 per cent. in the second half. Nevertheless, the full year results were slightly better than expected in the current climate of lower consumer spending, and the shares closed 2p higher at 68p. The company has been able to side-step the full impact of the textile recession by diversifying into the industrial sector, particularly into protective clothing and safety products. This division has lifted its profits by a quarter on a volume increase of about 7 per cent. Firm demand for specialist fabrics also boosted the industrial and textile divisions where profits are two thirds higher. However, in the current year the company will find it difficult to feint the impact of continuing difficult trading conditions, and might well show a downturn. Meanwhile the balance sheet is strong and the recent acquisition of Hindley Taylor will improve capacity in the protective clothing division by more than a tenth. The shares—on a p/e of 5.1 while yielding 6.2 per cent.—are probably rated too low for a company which has reduced its dependence on the domestic textile industry.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

Interims: Spencer Gears.

Finals: Alginate Industries, Anchor Chemical, Automated Security, Border Breweries (Wrexham), European Ferries, Fosco Minsep, Gerrard and National Discount, Gill and Duffus, Hopkinsons Holdings, Hutchinson International, Jessel Toynbee, L.K. Industrial Investments, Manders, William Pickles, Smith St. Aubyn, Spear and Jackson International, Telephone Rentals, Thomson T-Line Caravans, Turnbull Scott Shipping, Wight Construction.

FUTURE DATES

Interims—

Arenson (A.)	May 3
Caravans International	May 25
London and Prov. Shop Centres	May 4
North Midland Construction	*May 12
R.O.F.	Apr. 28
Sungei Bahru Rubber Estates	May 5
Tricoville	May 18

Finals—

Audio Fidelity	May 5
Bremner	Apr. 28
Campbell and Isherwood	Apr. 28
East Midland Allied Press	June 1
House Property London	Apr. 28
Mallinson-Denny	May 9
Orenstone Investments	May 5
Photax (London)	May 3
Vernon Fashion	May 2

* Amended.

Fairbairn Lawson slows but reaches £1·34m.

DESPITE A marginal second half fall from £645,000 to £621,000, pre-tax profits of Fairbairn Lawson reached a record £1.34m. for 1977 compared with £1.08m. last time. Turnover increased from £12.74m. to £13.39m.

After tax on the ED19 basis of £205,000 (£135,000) earnings are shown at 11.65p (11.01p) per 25p share on capital increased by the placing made when W. Westwood and Sons was acquired with effect from December 29, 1977.

As forecast the final dividend is 2.646p net effectively raising the total from 2.09969p to 3.646p with Treasury permission. The directors also confirm their forecast of 5p net for 1978

	1977 £000	1976 £000
Group turnover	13,389	12,740
Profit before tax	1,342	[illegible]
Tax	205	135
To minorities	2	[illegible]
Attributable Ordinary	1,135	905
Interim dividend	87	[illegible]
Extra for 1976	2	—
Final	286	175
Retained	776	[illegible]

The directors say the main objectives for 1977 to increase profitability, broaden the capital base and to improve dividends have been accomplished. Despite difficulties in the capital goods market a satisfactory increase in pre-tax profits was achieved.

The current year has started satisfactorily, bearing in mind the general downturn in world trade that is currently being experienced, and the company anticipates that it will be able to make further progress in 1978.

At the year-end fixed assets stood at £4.94m. (£2.96m.) and net current assets at £2.02m. (£2m.).

Sir John Lawson, the chairman, says the group is still on the lookout for a possible merger with another company. "We still believe that a business of a similar size to our own should merge with us, especially if such a merger can generate greater income."

Sir John foresees 1978 as being a generally difficult year for most companies, "and it might be that in such circumstances companies will accept that our philosophies have a greater appeal than independence. The stability of our earnings, which we forecast, should also help."

The directors stress that they are not putting up a "For Sale" sign but are "in the market to buy."

Sir John expects sales and earnings to continue to grow at a realistic rate in the current year, although he sees the difficult international trading conditions continuing throughout the year.

There has been a perceptible pick-up in the group's order book in the first quarter of the year and while this is not at the rate which the directors would wish, the group has been able to maintain earnings targets to date.

● comment

Profits from Fairbairn Lawson's major engineering interests fell by 5.1 per cent. last year as industrial production in the U.K. stagnated. Fortunately for Fairbairn, however, the rest of its business came up trumps and with margins improving 1½ points to 10 per cent. overall profits are up a quarter. Packaging profits increased almost 50 per cent. while the contribution from property interests rose from around £4,000 to £85,000 with the occupancy rate at Fairbairn's industrial property now around 90 per cent. Last year's new acquisitions came too late to make more than a marginal contribution to profits but this should be increased in (what again looks like difficult trading) in the current year. The group says it is looking for a merger (probably in either the engineering or packaging sector) candidate of similar size as itself but it will also want to be the dominant strain in any such merger. Meanwhile the dividend hike permitted as a result of the Westwood merger leaves a yield of 10.5 per cent. at 55p. On forecast dividends for 1978 the yield improves to 14.5 per cent. The p/e on current earnings is 4.5.

Wood & Sons advances to peak £0.25m.

Pre-tax profit for 1977 of Wood and Sons (Holdings), the earthenware and packing material manufacturing concern, advanced from £209,692 to a peak £253,189, on turnover of £4.21m. against £3.62m.

At midway, when announcing profit of £214,000 (£176,000), the directors said they expected another year of record achievements in 1977.

They now report that a healthy order book should ensure continued prosperity for the company during 1978.

A final dividend of 0.3322p net raises the total for the year from 0.5929p to 0.6622p per 5p share.

The 1977 profit included income from investments and property £447 (£301) and was struck after depreciation, directors' remuneration, bank interest and audit fees amounting to £204,[illegible] (£186,477).

Tax takes £15,979 (£16,041) with no provision made for deferred tax, as the directors have decided this to be no longer necessary. The previous year's results have been restated to reflect the change of policy.

Rise by Siemssen Hunter

REFLECTING STRONG growth from its tobacco division, most particularly from sales of leading Havana brands of cigars, pre-tax profit of Siemssen Hunter rose by 32 per cent. from £[illegible] to £814,082 for 1977. Turnover was ahead £2.42m. at £14.85m.

When reporting first-half profit of £376,073 (£234,991), the directors forecast that the 1977 figure would be comfortably in excess of the previous year.

They now state that in the current year all companies within the group are making satisfactory progress.

Despite a decline in the sales of "Autobooks" overall growth was achieved by the specialist publishing division with the Group's microfilm subsidiary performing particularly well in an expanding market, the directors add.

The 1977 figures exclude results of Seymour Press Group and News Kiosks (Holdings), which were acquired in January, 1978.

Tax takes £444,100 (£327,[illegible]) and stated earnings advanced from 6.89p to 7.97p per 10p share. A final dividend of 1.4256p net lifts the total for the year to 2.7918p (2.13681p) representing 4.23p (3.29p) gross, as forecast at the time of the June, 1977 rights issue.

	1977 £
Turnover	14,851,237
Trading profit	703,026
Share of associate	111,056
Profit before tax	814,082
Tax	444,100
Net profit	369,982
Extraord. credit	—
Dividend	149,312
Retained	220,670

Booker looking for sustained growth

SIR GEORGE BISHOP, the chairman of Booker McConnell, says the group will maintain its record of sustained growth in 1978.

"Our long-term plans and our operating budgets for this year foreshadow an increase in profits," he says in his statement with the accounts.

He says there are many problems to be concerned about in 1978, but there are some positive factors, particularly in the U.K. where the bulk of profits are earned.

Phase Three wage increases and the Budget reliefs should continue the improvement in living standards throughout the remainder of 1978, he says.

McConnell intends matching its £13m. internal capital spending programme of 1977 in the latest year, and Sir George sees no difficulty in financing outside acquisitions the group may decide to make.

However, the scale of the expansion may eventually need further capital to continue the growth of the company.

Pre-tax profit last year rose from £14.94m. to £24.95m. A current cost statement shows the U.K. company's pre-tax profit of £20.6m. reduced to £15.68m. by additional depreciation of £2.42m., a cost of sales adjustment of £4.85m. offset by a gearing adjustment of £2.33m.

Sir George says directors feel that the Hyde guidelines need further refinement before the current cost figure can be fully relied upon as a realistic indication of profit before tax.

During the year there was a £0.3m. (£5.4m.) decrease in net current borrowings. At balance date fixed assets were £47.39m. (£35.69m.), net current assets less trade creditors were £49.15m. (£43.92m.) and current liabilities excluding trade creditors £20.27m. (£20.04m.).

Meeting, 69, Cannon Street, E.C., May 18, at noon.

Increase from Lake View

Total income for the year to March 31, 1978, at Lake View Investment Trust rose from £2.19m. to £2.31m., and after expenses and interest of £432,139 (£504,813) and tax of £871,679 (£825,046) net revenue advanced from £1.08m. to £1.2m.

Earnings are given as 2.66p (2.37p) per 25p share and the dividend total is lifted from 2.1p to 2.4p net with a final of 1.65p.

CORINTHIAN

The net available profit of Corinthian Holdings amounted to £859,648 in the year 1977 compared with £35,365. Due to an agency error a profit of £389,648 was shown in yesterday's report.

M & G Reinsurance life side suffers downturn

New life sums reassured in 1977 by Mercantile and General Reinsurance Company, a member of the Prudential Group, were lower than in 1976, the first time in 35 years that a drop has occurred. This was revealed by Mr. D. M. C. Donald in his chairman's statement.

Although the sum reassured exceeded £2bn., the fall came from a lack of buoyancy in life markets worldwide and the change in the exchange rates against sterling. In the parent company, total premium income for life and annuity business amounted to £49m. against £35m. in 1976. Mr. Donald reports that after a review of the life fund, a transfer of £1.25m. was made to profit and loss.

New premiums on permanent health insurance contracts also fell slightly last year for similar reasons to those affecting life business. But Mr. Donald reports that the continuous disability account continues to develop in a satisfactory manner, with premium income last year amounting to £12.2m.

Mr. Donald expresses concern at the continuing disappointing results on fire proportional business, which for the closed year 1976 necessitated a transfer of £2.4m. from profit and loss. This followed an equally unfavourable result for 1975 and reflected the steadily decreasing margins on this type of business. He questions whether the high rates of commission paid by professional reinsurers left an adequate profit margin. The miscellaneous proportional account showed a substantial improvement in experience, particularly the U.K. portfolio.

He reports strong growth on the fire non-proportional account which increased by £2.4m. last year despite a reduction of £2.4m. in the opening account from exchange adjustments. The underwriting experience continued to be satisfactory.

Premium income on marine and aviation business improved by 10 per cent. in 1977, maintaining the strong growth seen in recent years. However, the underwriting experience continued to be unfavourable, particularly for 1974 and 1975, but there were signs of improvement in 1976 and 1977. But Mr. Donald warns of the very high exposures in this sector, vividly illustrated in 1977 with the Teneriffe Airport disaster and the super-tankers collision of South Africa.

During 1977, the group switched investments from equities into bonds, particularly in the U.S. and Japan. The life fund for the first time invested in 3-4 year local authority deposits to cover single premium bond business, putting in £12m. Although the group continued to add to its holdings in Commonwealth and foreign bonds to maintain deposit and reserve requirements, overseas assets for the first time in several years were less than 50 per cent. of the overall portfolio.

Mr. Julius Neave, general manager, commented that the marine side of the business was giving some cause for pessimism. Reinsurance business was bound to reflect the deteriorating experience of direct insurers. However, reserves on the marine side had recently been substantially increased. Marine business accounted for 10 to 15 per cent. of premium income.

In areas like fire, too, the group was cautious. Recent increases in the reserves established by the group reflected the need to provide for more than the relatively small number of catastrophes experienced in recent years. The industry should be prepared for more disasters, of which there had been relatively few since Hurrican Betsy and the Darwin cyclone.

Meanwhile, however, the company had been able to achieve a temporary reduction in its tax charge—worth something like £1.6m. in 1977—by negotiating with the Inland Revenue a strengthened formula for claims incurred but not received.

Commenting on the problems of Robert Bradford, Mr. Neave confirmed that the company had made a provision in respect of its 13 per cent. investment in the broking company. The provision out of inner reserves was of the order of £300,000, but the exact cost would depend upon future claims and the attitude of the authorities.

Outlook for Bruntons Musselburgh

In his annual statement, Mr. A. S. Wood, the chairman of Bruntons (Musselburgh) says that the severe world recession in demand for steel and steel products continues and there is still no sign of an upturn.

He is confident, however, that the company will continue to obtain at least its share of the home market and will be able to stand up to competition in its export markets.

As reported on March 31 pre-tax *profits fell from £2.34m. to £1.72m.* in 1977 with £0.8m. (£1.15m.) coming in the first half.

Mr. Wood says that second half profit would have been higher but the steel strip division was badly affected in the final quarter by strikes at the works of three important customers.

Capital expenditure of £375,000 was used mainly to install new plant in the wire division. Of the £0.5m. authorised for 1978, orders have already been placed for machinery for the wire ropes division to cost almost £0.4m. with the balance allocated to the wire division.

Meeting, Musselburgh on May [illegible] at noon.

MONEY MARKET

Interest rates firmer

Bank of England Minimum Lending Rate 7½ per cent. (since April 11, 1978)

The London money market was extremely nervous once again yesterday, with fixed period interest rates marked up defensively on renewed fears of an early rise in Bank of England Minimum Lending Rate. Discount houses buying rates for three-month Treasury bills were higher than 7 per cent. in places, slightly above the trigger point for a rise in MLR, if repeated at the Treasury bill tender on Friday.

The weakness of sterling in the foreign exchange market contributed to the nervous sentiment, while the Bank of England continued to pour oil on troubled waters, and probably overdid the amount of help given to the discount houses, even though this was not indicated in the level of interest rates at the close of business.

Discount houses paid up to 7 per cent. for secured call loans, with closing balances taken at 6½ to 6¾ per cent. Overnight money commanded 9 per cent. in places in the interbank market during the afternoon, before closing at around 7½ per cent.

With day-to-day credit in short supply, the authorities gave an extremely large amount of assistance to the money market. They bought a very large amount of Treasury bills from the discount houses, plus a small number of local authority bills, and a small amount of eligible bank bills. Some of the bills were bought for resale at a fixed date in the future.

Banks brought forward surplus balances, but this was outweighed by a very slight net take-up of Treasury bills, a substantial excess of revenue payments to the Exchequer over Government disbursements, a slight rise in the note circulation, and settlement of gilt edged stock sold by the authorities.

Apr. 25 1978	Sterling Certificate of deposits	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	7-9	—	—	—	7¾	6¼-7	—	—	—
2 days notice	—	—	7⅜-7⅝	—	—	—	—	—	—	—
7 days or 7 days notice	—	7⅛-7⅜	7⅛-7¾	—	7⅝-8	8	6¾-7	—	—	—
One month	7½-7⅝	7½-7⅝	7⅝-7¾	7½-7⅝	7¾-8	8	6¾	6⅞	7⅛-7⅜	7⅝
Two months	7¾-7⅞	7¾-8	—	7⅞-7½	7⅞-8¼	—	6⅞	6⅞-6⅞	7½-7⅝	7⅞-8
Three months	8-7⅞	7⅞-8⅛	7¾-7⅞	7⅞-7½	8-8⅛	—	7	7-7⅛	7⅞-7⅞	8-8⅛
Six months	8⅛-8¼	8⅛-8⅛	8¼-8½	8¼-7⅞	8⅝-9	—	—	—	8⅛-8⅜	8⅞
Nine months	8⅝-8⅞	8⅝-9	—	8⅞-8¾	9-9¼	—	—	—	—	—
One year	8⅞-8⅞	9-9¼	8⅞-9⅛	8⅞-8⅞	9⅛-9⅜	—	—	—	—	—
Two years	—	—	9¾-10	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 10½-10¾ per cent.; four years 11-11½ per cent.; five years 11¼-11½ per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 7[illegible]-8[illegible] per cent.; four-month trade bills 8½ per cent.

Approximate selling rates for one-month Treasury bills 6[illegible] per cent.; two-month 6[illegible] per cent.; and three-month 6[illegible] per cent. Approximate selling rate for one-month bank bills 7[illegible]-7½ per cent.; two-month 7½-7¾ per cent.; and three-month 7[illegible] per cent. One-month trade bills 7¾ per cent.; two-month 7¾-7⅞ per cent.; and also three-month 7⅞-7⅞ per cent.

Finance House Base Rates (published by the Finance Houses Association) 7 per cent. from April 1, 1978. Clearing Bank Deposit Rates (for small sums at seven days' notice) 4 per cent. Clearing Bank Base Rate for lending 7½ per cent. Treasury Bills: Average tender rates of discount 6.9691 per cent.

BIDS AND DEALS

Lonrho representatives asked to resign from 'Suits' Board

BY ANDREW TAYLOR

"Tiny" Rowland and two his co-directors of Lonrho, is bidding to take over ...ish and Universal Investments have been requested to ...gn from the SUITS Board.

...arterhouse Japhet, merchant ...kers advising SUITS, has ...d Mr. Rowland, Mr. P. A. ...her and Mr. T. R. Prentice to ...gn because the bid, which ...es SUITS at around £39m., ...created a conflict of interest. ...Mr. Paul Spicer, a director of ...who said last night: "There is ...question that three Lonrho ...ard members of SUITS will ...ign." A statement from ...nrho's financial advisers Keyser ...mann and Standard Chartered ...nk said that they had advised ...nrho that "it would be in...propriate for the three directors to resign from the Board of ...ITS."

The three men joined the SUITS ...ard after Lonrho acquired a ...per cent. stake (later increased ...to 24 per cent.) in the company during March last year.

Mr. Hugh Laughland, chief ...ecutive of SUITS, and one of ...three independent directors ...o have opposed the bid, said ...the Lonrho directors had not ...ended Board meetings since the ...proach. However, the company ...still obliged to supply them ...h confidential financial in...mation which would not ...mally be made available to a ...ential bidder. The next SUITS ...ard meeting is due next week.

Mr. Laughland said the company's defence document, also due ...xt week, would recommend ...areholders to reject the offer ...the basis that it under-valued ...e company and contained no ...sh element. He said it was ...nificant and encouraging" ...at this view was supported by ...culars recently prepared by two ...ding Scottish brokers Bell ...wrie MacGregor and Parsons ...d Co.—who are also recommending shareholders to reject ...e bid.

Meanwhile, a decision on whether or not the bid should be referred to the Monopolies Commission is not now expected until next week.

APPROACH TO ST. KITTS

Plans for the voluntary liquidation of St. Kitts (London) Sugar Factory have been placed in "mothballs" following the announcement that the Board has received an approach which might lead to a cash bid being made.

The company is proposing to adjourn (for 21 days) to-day's EGM at which it had proposed to recommend the voluntary liquidation of the company. This decision followed the nationalisation of the company's principal asset, St. Kitts (Basse Terre) Sugar Factory in which it had a 50 per cent. stake.

Shares of St. Kitts (London) were suspended yesterday at the request of the company.

The potential bidder has said that an offer would be conditional upon to-day's meeting to discuss the voluntary winding up of St. Kitts (Basse Terre) also being adjourned for 21 days. However, the AGMs for both St. Kitts (London) and St. Kitts (Basse Terre) will go ahead to-day as planned.

The attraction for a potential suitor is that St. Kitts (London) currently holds cash of around £350,000 as well as some overseas securities. In addition the company is due its share of compensation from the St. Kitts Government which will total £1m., although the eventual sum for distribution is likely to be considerably less.

HALMA IN FRANCE

Halma has purchased 76 per cent. of Serv SARL, a French company specialising in the manufacture and sale of safety devices, for £40,515 cash.

Serv's products are complementary to the safety devices produced by Castell Locks, an existing Halma subsidiary.

The acquisition is intended to strengthen Halma's position in the expanding French market for safety products and provide additional export opportunities for Castell Safety Interlocks. In 1977 sales from Serv amounted to some £77,000.

W. J. REYNOLDS

W. J. Reynolds Holdings would have sought more funds from shareholders if Oakstone had not made an agreed cash offer, says Mr. Roger Marsh, chairman of Reynolds in the formal offer document. Turnover has increased from £8m. to £19m. in the last three years and additional equity would have been required before the next stage of expansion.

The £1.7m. cash offer gives a p/e ratio of 11.17 on 1977 profits but Mr. Marsh says that management accounts for the first two months this year "show a significant increase over the comparable period last year."

A one-for-one scrip issue is proposed in order to reduce expenses.

ASSOCIATES DEAL

Between April 19 and 24, Grievesons Grant sold 31,019 Lonrho shares at 71p and 40,218 at 70p for discretionary clients.

ALLEBONE

Tandem Shoes, the footwear retailing subsidiary of Allebone and Sons has entered into leases on 12 retail shops previously operated by Direct Fashion Shoes (Leeds) and taken assignments of leases on a further nine retail shops previously occupied by the company.

These shops (which in 1977 had a turnover of £1.1m.) are all in the North of England and strengthen Tandem's coverage in the retail footwear trade in that area.

Cash consideration payable by Tandem, is £71,000 plus stock at valuation.

SHARE STAKES

BPB Industries: Prudential Assurance now holds 5.24 per cent.

Gibbons Dudley: Mr. R. D. Turner, chairman, has sold 150,000 shares from his beneficial holding. His interest is now 1,150,000 shares held beneficially and 588,626 shares held non-beneficially.

W. Williams and Sons (Holdings):—Cliff Hotel (Gwbert), holders of 328,000 shares (13.6 per cent.) has purchased a further 4,600 shares.

Porter Chadburn:—ITC Pension Trust jointly with the ITC Pension Investments holding a total of 182,500 Ordinary shares represents an interest of the Imperial Group in the company amounting to 5.6 per cent.

Rowntree Mackintosh:—Trustees of the Joseph Rowntree Mackintosh Memorial Trust have disposed of 50,000 Ordinary shares. They are now interested in 3,925,000 Ordinary shares (9.08 per cent.). The company's chairman, Sir Donald Barron, is a trustee.

Marley—J. E. Aisher has acquired 40,000 Ordinary shares beneficially and 40,000 non-beneficially.

Gedong Investments — N. M. Rothschild Asset Management (CI) managers of Old Court Smaller Companies Fund, have advised Gedong that Old Court holds 60,750 (9.90 per cent.) shares.

John Menzies (Holdings)—Mr. J. M. Menzies, a director, has now ceased to have an interest in family trusts amounting to 490,088 Ordinary shares. Mr. Menzies' interest in Ordinary shares is now as follows, personal 1,655,762 and trustee 1,209,320 making a total of 2,865,082 (20.72 per cent.).

BET Omnibus Services—London and Manchester Assurance has acquired 2,000 10 per cent. cumultive preference stock units making total 22,600 (11.3 per cent.).

McCleery L'Amie Group—Cruhon Investments, a company wholly owned by Mr. A. W. Flemming (director) has acquired a further 25,000 Ordinary shares at 11.5p. This brings total of Mr. Flemming's beneficial interest to 204,000 shares (1.6 per cent.).

W. H. Cullen—Trustees of the W. H. Cullen Pension Fund have recently increased their holding of Ordinary shares to 170,050 (17 per cent.).

Hampton Gold Mining Areas—W. I. Carr Sons and Company, on April 18, 1978, purchased on behalf of Anniss Trading, 470,000 shares (11.20 per cent.).

Wagon Finance Corporation—Friends Provident Life now hold 2,479,166 Ordinary shares.

Jacksons Bourne End—Dawngrange have acquired a further 38,500 shares, bringing interest to 285,500 (26.88 per cent.).

RIT accepts Magnum Fund offer

A bid for Magnum Fund, an ...vestment company incorporated ...Canada and based in Holland, ...being accepted by Rothschild ...vestment Trust (RIT), the ...lder of a 44.1 per cent. stake ...hich, with a holding of debentures, may, under the bid ...rmula, be worth some £17.4m.

The offer is being made on ...half of clients of Banque ...cidentale pour L'Industrie et ...Commerce (London), part of ...r James Goldsmith's Générale ...cidentale group. Sir James ...id last night that the bid, made ...Banque Occidentale acting as ...merchant bank, was not directly ...indirectly on behalf of GO. The ...nk was acting for a number of ...ople who would be disclosed in ...e offer document.

Magnum said yesterday it had ...en told that the bid would be ...r all the shares and all the ...$7.5m. 6½ per cent. debentures ...Magnum's wholly-owned Dutch subsidiary, Magnum Investment.

The cash price, in U.S. dollars, will be equal to 90 per cent. of the fully diluted net asset value per share, computed at the close of business 21 days after the date the offers are made.

The unaudited value on this basis was about $US44.60 a share on March 31, 1978; the cash price for the debentures is to be on a comparable basis, assuming exchange for shares with their existing rights. The shares were recently suspended from quotation at $US33.

The offers are only to be made provided that Banque Occidentale receives from RIT an irrevocable commitment to accept them in respect of RIT's 44.1 per cent. stake in Magnum Fund and its holding of all the debentures. The Magnum Fund directors have decided, since the discount from net asset value being offered is substantially less than the discount at which the company's shares have traded in recent years, to co-operate in submitting the offer to shareholders. They have been told that RIT plans to give the irrevocable commitment to accept which is a condition of the offers being made. No decision has, in the circumstances, been taken about the declaration of a dividend for 1977.

RIT said that on the basis of the offers and on information currently available, the transaction would realise for it gross proceeds of some £17.4m., including the dollar premium on that part of the investment financed with investment currency. This compares with a book value of £11.77m. at March 31, 1977. The yield on Magnum shares on the basis of the 1976 dividend was less than 2 per cent. of the underlying net asset value.

See Lex

BBK hopes for volume rise

It is hoped that a further ...crease in sales volume will be ...hieved at Brown Boveri Kent ...the current year and that over...l trading results will be satis...ctory, Mr. J. G. Vaughan, the ...airman, says in his annual ...atement.

He says that the company's ...der books have been generally ...tisfactory with a 19 per cent. ...se—excluding exchange distor...ons—despite the difficult eco...mic conditions in the U.K. and ...sewhere.

While a difficult economic ...vironment seems likely to ...rsist for some time, the com...ny's main task will be to ...sure that its position in international markets is strengthened in the medium and longer term.

There are opportunities for further development of certain overseas markets, and for increased investment in modern production facilities.

Provided the company's progress is maintained and the appropriate commercial criteria are in each case satisfied, the company will wish to take advantage of such opportunities.

To this end, as already announced, a one-for-four rights issue is to be made, and increased borrowing facilities have been arranged.

A current cost statement with accounts shows the more than doubled pre-tax profit for 1977 of £6.31m. was reduced to £3.4m. by additional depreciation of £1.3m., and a cost of sales adjustment of £2.7m., offset by a gearing adjustment of £1.1m.

In the year there was a £1.23m. decrease (£0.32m. increase) in net liquid funds, and at balance date current assets were £44.99m. (£38.57m.), current liabilities £16.48m. (£13.35m.), and fixed assets £10.65m. (£9.98m.).

The group's ultimate holding company is BBC Brown Boveri and Co. of Switzerland, which owns 54.5 per cent. of shares. The National Enterprise Board owns 17.6 per cent. of shares.

Meeting, Connaught Rooms, W.C., on June 9 at noon.

Asarco still in the red

THE MAJOR U.S. Asarco base metals group remained in the red last quarter with a net loss of $11.13m. (£6.1m.), equal to 42 cents per share, following a total net loss of $29.3m. for 1977. Sales for the past quarter were $242.8m.

Apart from low metal prices and production cutbacks, Asarco has been hit in the 1978 first quarter by the U.S. coal strike which lasted from December 1977 to March 27, 1978.

As already reported Bendix, the U.S. technology group with interests in the energy, motor, aerospace and electronic industries has recently raised its stake in Asarco to 16.7 per cent. by the purchase of a further 3.8m. shares for $87.4m. They were £13¼ in London yesterday.

MINING NEWS

RTZ: so far no fresh Exxon proposals

BY KENNETH MARSTON, MINING EDITOR

SIR MARK TURNER, chairman of Rio Tinto-Zinc, confirmed yesterday that America's Exxon oil giant had considered the possibility of acquiring an interest in the U.K.-based international mining and industrial group, but had later abandoned that course in favour of participation in joint projects.

However, Sir Mark said that no specific proposals have been received from Exxon and added that RTZ is not interested in being acquired wholly or in part by another concern. Meanwhile, the RTZ annual report states that so far as is known, no shareholder, either corporate or individual, has any beneficial interest exceeding 5 per cent. in the share capital of the company.

Of the RTZ group's current exploration activities, the Conzinc Riotinto of Australia arm has a 52.6 per cent. interest in the Ashton joint venture for diamonds in the Kimberley region of Western Australia. A number of diamond prospects have been discovered there and a processing plant for bulk sampling is being constructed.

CRA is also a member of a consortium examining a large low-grade copper deposit on Viti Levu Island in Fiji while at Dugald River, in Queensland a good grade zinc deposit of some 40m. tonnes of ore grading 10 to 12 per cent. zinc has been indicated.

In eastern Tennessee, the RTZ group has added substantially to th eshallow higher grade reserves of its fluorspar deposits while at the Alaska molybdenum deposit a permit has been granted for an access road which when completed in 1979 will enable a full assessment of the property to be made.

In Indonesia the results of a drilling programme on another molybdenum prospect are awaiting assessment and there is also to be a drilling programme at gold prospects in Kalimantan this year.

The group's stake in Coseka Resources, which is developing reserves of oil and gas in Canada and the U.S. was increased last year and now amounts to 25 per cent. following an issue of shares on an acquisition by the latter.

As far as uranium exploration is concerned, results of an economic study of the Kitts-Michelin prospect in Labrador are being examined and further consideration is being given to the possibilities of working this on a smaller scale than originally envisaged.

As already reported, RTZ raised its net profit last year by £1m. to £82.3m. despite the decline in copper prices. There was also a net charge of £40.4m.—compared with a net credit in 1976 of £10.4m.—which reflected the strength of the £ and the consequent fall in the sterling value of prior years' earnings retained by the overseas subsidiaries.

Of the major income sources, aluminium last year contributed £19.9m. of the past year's net profit followed by borax and chemicals £18m.: iron ore £16.1m.: copper and gold £13m.: lead and zinc £7.4m.: and uranium £7.3m. In 1976, copper was the top contributor with £19.3m. Main geographical sources in 1977 were Australia and New Zealand £30m., the U.K. £19.7m., Canada £11.1m. and the U.S. £8.4m.

Meanwhile, base-metal prices remain depressed and the anticipated sharp contraction in RTZ's iron ore earnings has been underlined by the sharply lower quarter results of Hamersley. Thus, somewhat lower total earnings seem to be in store.

On this basis the share price, 207p last night, could tend to drift down. But it would be responsive to any sustained improvement in the U.K. industrial equity market and it remains cushioned for the time being, at least, by the obvious interest in RTZ's longer-term prospects which has been shown by the powerful Exxon.

Marinduque's call for help

Marinduque Mining and Industrial Corporation, which produces practically all of the Philippines' nickel exports, faces default and possible liquidation if the Government does not rescue it from creditors.

"So far, we haven't gone into default," the chairman and president Mr. Jesus S. Cabarrus, told stockholders at the annual meeting. "If our application for this (debt) restructuring is denied, definitely we will go into default."

He was optimistic, however, that the Government would accept his appeal to prepay much of the company's foreign debt and combine it with domestic debt in one big ten-year-loan with a three-year grace period during which no payments on principle or interest would have to be made.

Mr. Cabarrus did see some favourable developments ahead for Marinduque Mining, which produces copper and cement as well as nickel. He said that metal prices began to show signs of rising in April, and Philippine authorities are studying an appeal to raise Government-controlled cement prices.

In addition, he said, Marinduque has been asked to refine Indonesian and New Caledonian nickel ores that are much richer, and therefore more profitable, than those from its own mine.

Marinduque lost 83.1m. Pesos (£6.18m.) last year, a slight improvement from its debit of 83.7m. Pesos in 1976, when its losses were greater than those of any other corporation in the Philippines. Stockholders have seen the price of their shares wilt from 10 pesos in 1974 to about 3.3 pesos in recent days.

Exchange loss cuts Beralt's good profit

THANKS to increased sales of its Portuguese wolfram concentrates and higher prices, Charter Consolidated's 46.3 per cent.-owned Beralt Tin and Wolfram has lifted its 1977 net profits to £2.75m. from £1.43m.

But the devaluation of the Portuguese escudo in February, 1977, and its subsequent further weakening against sterling is reflected in an extraordinary debit of £1.7m. on the latest occasion.

This represents the translation of assets and provisions in Portugal at the adverse exchange rate ruling on December 31 last. The result is that Beralt is left with a profit of £1.05m. against £1.2m. a year ago.

During the past year the company paid interim dividends totalling 3.75p on account of earnings of previous years. From 1977 earnings Beralt's Portuguese operating subsidiary has declared a dividend of Esc.90m. (1976: Esc.52.7m.) and on receipt of its 80.55 per cent. share of this amount in the U.K., the parent will consider the payment of a dividend in respect of the current year.

Beralt points out that the size of its proposed distribution will depend on exchange rates ruling at the time the Portuguese funds are received and the fiscal conditions applicable. If the company's full share were received now it would allow a dividend of approximately 4p per share. Beralt were 51p yesterday.

Cadbury aims efforts behind major lines

IN HIS annual statement, Sir Adrian Cadbury, the chairman of Cadbury Schweppes says that the group aims to grow by concentrating marketing and technical effort behind its major brands, the benefits of which will enable better use to be made of limited resources of people, money and fixed assets.

In pursuit of these aims the company has two main objectives over the next five years, he states. First, to build on its established position in the North American market and second, to improve the return on assets in the U.K.

One of the consequences of achieving these objectives will be to improve the company's financial position, Sir Adrian points out.

He reports that the acquisition of Peter Paul Inc. for $U.S.58m. is geared to broaden the appeal of the group's confectionery business and to obtain a greater share of what is still the largest and fastest growing single market in the world.

The increased marketing investment behind Schweppes drinks has a similar aim and will reinforce the high degree of recognition in the soft drinks market which has already been achieved.

A continuing investment in the marketing and distribution of both drinks and confectionery will, however, be required to establish the market share being aimed for throughout the region. The level of marketing investment in 1977 was over £10m. higher than in 1976 and will be maintained this year, he adds.

The objective to improve return on assets is again based on concentration of effort behind the major lines and firm financial targets have been set over the period between now and 1982, says Sir Adrian. Inevitably there are costs involved in changing the pattern of business, he explains, but the benefit will be a sound base for future growth.

In addition to the acquisition of Peter Paul, there is another $10m. of items requiring medium term finance in the U.S. and the directors have decided to re-finance existing term borrowings of $22m. The total requirement of $90m., $68m. of which is loan capital, is being funded by a U.S. Dollar Loan.

The directors are budgeting for an increase in profits for 1978. Results will be assisted by a rise in consumer expenditure in the U.K. and by more stable raw material prices.

Against difficult trading conditions in 1977, pre-tax profit rose from £46.4m. to £48.2m. on sales up 12 per cent. at £884m.—as reported April 7. Exports advanced to £49.1m. (£33.2m.).

The chairman states that continuing progress was made in strengthening the company's operating base and the directors continued to concentrate on the main stream of the business and on building for the future.

Closely controlled working capital resulted in reduced borrowings at the year end, in spite of increased sales and inflation, he says. Short-term borrowings fell from £39.2m. to £32m.

A statement of source and application of funds shows working capital increased by £11.6m. (£44.9m.) at end-1977. Net liquid funds were up £20.3m. (down £13.2m.).

Advance by F. C. Finance

TURNOVER FOR 1977 of F.C. Finance, which is controlled by Co-operative Bank, expanded from £32.09m. to £42.6m. and pre-tax profits rose from £647,000 to £1.15m. after lower interest charges of £4.55m. compared with £5.28m.

In October, reporting first half profits 26 per cent. higher at £409,000, the directors said they expected further improvement in the full year result, despite pressure on margins.

After tax of £516,000 (£315,000) full year earnings are shown to be up from 4.2p to 8.5p per 25p share and the dividend total is stepped up from 1.5p to 2p net with a final of 1p.

Randall's near 38% increase

WITH OTHER income well ahead from £0.83m. to £1.27m. and trading profits 17.7 per cent. up at £0.73m., pre-tax profit of J. and L. Randall, toy and games group, jumped 37.7 per cent. from £1.6m. to £1.99m. in 1977.

Directors say home trade in the second half was severely affected by the record fourth quarter consumer savings in 1977, the cessation of retail ordering at the same time, and the exceptionally late Christmas spending.

Exports however were 65 per cent. ahead and turnover for the year grew by 9.3 per cent. to £2.18m.

In the current year home trade orders are well ahead of the same period in 1977. If the projections of a five per cent. real increase in consumer spending materialise, the group will benefit from much improved trading conditions.

Exports are currently behind last year's record figures, but directors expect to recover the shortfall in coming months.

In 1977 rental income was £268,000, up 5.1 per cent., and a similar increase is again expected unless more space is let.

Investment income increased 3.6 per cent., and the surplus on the sale of securities amounted to £0.54m. At balance date the equity portfolio had a cost value of £2.58m. and a market value of £3.71m.

Earnings per share are 47.2 per cent. up at 10.61p net per 10p share, and the dividend of 1.6652p compares with 1.5138p last year. Shareholders accepting the Letraset takeover offer will not be entitled to receive the dividend, but those accepting the share alternative will be entitled to a second interim dividend from Letraset.

Low level of activity likely to affect Bowater profits

THE CONTINUING depressed level of activity in the major economies of the world—other than the U.S.—is likely to affect 1978 profits of Bowater Corporation, particularly in the U.K., Lord Erroll of Hale, the chairman, says in his statement with accounts.

In the review of operations, the directors say that while management effort on the U.K. newsprint side is being directed towards minimising losses, they are unable to see any prospect of an early return to profitability.

Because of the strengthening of the pound Bowater has been compelled to offer progressively larger rebates to its domestic customers to remain competitive. In early 1978 these rebates have been as high as ten per cent. of list price.

The paper and board division is expected to benefit from the product range and marketing advantages following its acquisition of the outstanding share of the Donside mill. The division is well placed in its markets for 1978, directors say.

Elsewhere, production at the building product's division is being re-organised to take advantage of any revival in the construction industry. New ranges of furniture and carpet have been developed, and should stand group companies in good stead when a upturn in demand occurs, they say.

The jointly-owned Bowater-Scott expects to maintain its trend of steady growth, and in Europe, progress should continue following the re-organisation in the past two years.

On the U.S. side, there has recently been a reduction in world pulp stocks though, as yet, there is no sign of a major upturn in demand. Last year the newsprint market in the U.S. expanded six per cent., and this year the $90m. project to install its fifth newsprint machine at Calhoun, Tennessee will continue.

Lord Erroll says that the new mill will come on stream in late 1979 and will meet the growing requirements of customers for a number of years.

Last year Bowater began with authorised spending of £111m., and this year plans indicate that further projects for authorisation will total £63m.

In the U.K. £9m. is being spent on converting a former newsprint machine in Kent to make a new packaging grade from re-cycled waste paper, and Bowater-Scott is investing £3.5m. on fibre-recycling.

The continuous stationery plant near Bath is to be extended at a cost of £2.5m. As well, a new automated corrugator is being installed at its packaging plant in South Wales. Its West German plastics business is to be developed, cotton trading activities in the western U.S. are to be developed as is its trading base in Singapore.

The investments will be financed partly from cash flow and partly from the £115m. raised last year through a rights issue, a Eurobond issue and a bond placement in the U.S.

At year end, net current assets were up from £168.7m. to £235.6m., and fixed assets were £329m. (£326.4m.). Overall there was a £47.8m. increase (£32.2m. decrease) in net liquid funds, including £32.2m. (£3.1m.) raised from new capital.

A current cost statement shows the pre-tax profit of £87m. (£78m.), reduced to £69m. (£31m.) by additional depreciation of £24m. (£23m.), and a cost of sales adjustment of £1m. (£16m.), offset by a £7m. (£12m.) gearing adjustment.

In the year the Earl of Carrick, a director, sold 70,000 shares reducing his holding to 130,330 shares.

Meeting, Dorchester Hotel, W., on May 19 at 11.30 a.m.

Norvic not up to budget—lack of export orders

Operating profit so far in the current year at Norvic Securities, footwear makers and distributors, is below budget, Mr. C. L. Metcalfe, the chairman, says in his annual statement.

Home trade order was a healthy increase for the first three months but exports, which reached £3.68m. in 1977, will be down because the company has no Russian orders on hand, he states.

Mr. Metcalfe goes on to warn members that dividend policy for the last three years had been based on the hope that the group would quickly regain the kind of profit levels seen in 1973 and 1974. The directors' optimism proved unjustified and in future they will only pay dividends which are well covered by retained profits. As reported on March 16 the net total dividend for 1977 is raised to 2.2p (1.9p)—a payment which on fully taxed earnings would have been uncovered.

Imports of footwear last year showed a further increase, and now about one in every two pairs of shoes worn in the U.K. is imported. Against this background the profit which the shoe manufacturing industry aims to achieve would be regarded as pitifully small in almost any other manufacturing sector of industry and even these tiny margins can only be achieved when everything goes right, Mr. Metcalfe says.

Norvic's future prospects must of necessity be influenced by the general state of the British shoe manufacturing industry because it has not achieved any really special place of its own to isolate it from these general influences. The company is a middle of the road manufacturer making shoes across the board for men, women and children.

Exports are not easy as trade barriers are erected against British shoe making all over the world. Nevertheless there are lots of things the company can do internally to at least improve its performance to somewhere more nearly approaching the budgeted norm, and these are being done, he goes on.

As known historic taxable profit for 1977, was down from £257,473 to £220,265, but on a current-cost basis on the Hyde guidelines, the surplus was turned into an £82,000 loss after extra cost of sales of £385,000 and £92,000 additional depreciation less a gearing adjustment of £175,000.

Sales during the year advanced from £9.7m. to £14.4m., based largely on a much bigger order than usual for warm lined boots for the Soviet Union.

"We knew the problems we were facing when we took this £3m. order but the prices were satisfactory and one of our real hopes for future expansion must lie overseas. The difficulties involved in expanding production and training new personnel for the work were enormous and proved extremely costly—we made about £130,000 less in gross profit margins than was budgeted for," Mr. Metcalfe says. Nevertheless, by the end of the year the group had a very efficient mass production vulcanising unit going well in its Mansfield factory and a smaller unit in Norwich. In building up production figures the directors had to sacrifice a great deal of profitable home trade business.

"This was a commercial decision made in the reasonable expectation of continuing business which would then have been extremely profitable. In the event the Russian price offer for a new contract in 1978 was based initially on prices 10 per cent. less than last year and while we made some progress in negotiations we were unable to meet their final prices and had to turn down the orders which were offered.

"This has meant the disbanding of an efficient unit with consequent production disruption especially at Mansfield where we have now had to face production losses of £60,000 for the first two months of this year and this factory will not now achieve its budgets for the first half of this year."

This gap has now been filled for the autumn by extra orders from the EEC and the home market.

OIL AND GAS NEWS

Keen interest in U.S. leases

INTEREST in bidding for federal oil and gas leases in the Gulf of Mexico has shown a marked increase over that shown for the March 28 auction of leases off the coast of Georgia, Florida and the Carolinas.

So far 98 U.S. oil companies have submitted the paperwork necessary to qualify to submit bids on 145 tracts covering 707,787 acres off the coasts of Texas, Louisiana, Mississippi and Alabama. In the March 28 auction only 10 of the more than 30 companies that qualified submitted bids on just 37 of 224 tracts offered.

The heightened interest stems from the fact that the oil companies are more familiar with the Gulf of Mexico, an area which has been producing petroleum for more than 30 years, whereas on the eastern seaboard there is no major production east of the Appalachian mountains.

Therefore the companies have a better basis for evaluating the 41 per cent. of the tracts being offered where oil and gas have not been discovered. Also, 41 per cent. of the tracts are development tracts, that is they are located on geological structures known to contain oil and gas, and 18 per cent. are drainage tracts, which share a producing oil or gas reservoir with adjacent developed tracts.

Bids at the auction are expected to total around $800m., well below the $1.17bn. in bids that were accepted in the last Gulf lease sale last June.

The shortfall may well be explained by the offer of 28 tracts which were also offered last June and received bids that the Interior Department considered insufficient.

A further major factor in the shortfall is the U.S. Government's new "sliding scale royalty" bid system. This experimental system continues the accepted practice of submitting cash bids for leases but combines that with anticipation of future royalty payments to the Government on a sliding scale linked to the value of future production. The higher value of oil produced, the higher fee paid to the Government.

Thus, percentage royalties would range from the usual 16⅔ per cent., up to 50 per cent. under the new system. This bidding arrangement apparently reduced bids at the Georgia sale last month, where the system was first tried.

* * *

Significant quantities of oil and gas have been found in Guntong 1, an exploration well in the Exxon Corporation's contract area off Kuala Trengganu, Malaysia, in the South China Sea.

Guntong 1, 140 miles off the coast of Trengganu, is the fourth consecutive new field well to encounter hydrocarbons in the area since drilling began under a contract signed with Petronas, the Malaysian Government's national petroleum company in December, 1976.

Exxon says that tests confirmed the presence of oil and gas in the well and also the potential for significant reserves. Additional drilling will be required to determine the full commercial potential of the Guntong field.

GKN COURT DECISION

Merger would deter competition

Potential competition on the West German motor parts market would be deferred if Guest Keen and Nettlefolds were allowed to succeed in its bid for majority control of the Sachs Group, the German Supreme Court said in the written judgement on its rejection of the deal earlier this year.

In a closely worded 37-page document, it pointed out that some 40 per cent of GKN's turnover came from sales of automotive parts to vehicle manufacturers.

This, the Court's five judges reasoned, justified the view that Sachs, once part of the GKN company, would be able to increase its position on the relevant markets.

They also rejected the argument of the Berlin Appeals Court, which previously ruled in favour of the deal, that the combination of GKN and Sachs could not be expected to lead to a price war.

The increased financial and market power which a merger with GKN would give Sachs made it likely that potential competitive forces would be completely paralysed, the Court said.

Sachs' major role on the German motor parts market had already reduced competition and the merger would make its recovery even less likely.

"This result corresponds to a reinforcement and thus a strengthening of the dominant market position of Sachs AG through the merger, which justifies its prohibition."

When first announced last February, the Court's decision came as a considerable surprise to both Sachs and GKN, which had scheduled celebratory Press conferences to announce the expected favourable decision.

GKN already owns 25 per cent. of Sachs, which dominates the German automotive clutch market, having paid DM110m. for this interest in 1975.

By paying DM220m. more for a further 50 per cent., GKN would have been put in a strong position in the West German motor industry, as well as obtaining extra overseas interests through the Sachs subsidiaries in France, Canada and Brazil.

GKN's intention was to align itself for a stronger sales thrust towards the German motor producers, who last year manufactured over 4m. units.

The group also had hopes of improving its performance in France, where around 3.5m. vehicles were produced during 1977.

In addition, GKN would have obtained access to Sachs' technology in automotive clutches and shock absorbers, as well as its interests in motor-cycles, bicycles and motors.

The German Cartel Office, based in Berlin, originally rejected the GKN-Sachs deal, but the city's Appeals Court later ruled in favour of the controversial takeover.

Fichtel und Sachs, the trading subsidiary of the Munich-based Sachs family concern, was reckoned by the Cartel Office to have over 70 per cent. of the German clutch market.

The Supreme Court said the expansion of financial power that GKN's takeover of Sachs would produce did not on its own justify the expectation that Sachs would strengthen its hold on the German market.

Nevertheless, it felt that there was enough evidence to confirm such an assumption.

It also stated that GKN had financial resources outside the U.K. available to it: this was shown by its obligation to pay the purchase price of the Sachs shares in Deutschemarks.

Although Sachs' domestic competitor in clutches, LuK GmbH, claimed that the proposed merger with GKN posed no real threat to its own operations, the Court said this had no bearing on a situation in which it could see itself bound to resort to price competition against its present market behaviour.

The British concern has already made an appeal to the Federal Economic Minister, Count Otto Lambsdorff, against the Supreme Court's decision.

This appeal does not represent a challenge to the Court, as GKN is making use of its right to invoke the Minister's final power of decision in cartel cases. This need not necessarily be governed by purely legal considerations.

Bonn officials explain that a public hearing will be the next step, with all parties having the chance to put their case forward.

Once this has been done, the Ministry will make its own summary of the arguments and hand them over to the Minister for his decision. This is likely to take about six months.

At GKN, hopes of a successful outcome to this latest appeal are not exaggerated, following the lengthy three year process which has led up to the latest rejection.

The Court said it could not uphold the contention of the Sachs interests that a rejection of the proposed amalgamation was unconstitutional.

There was no objection to the owners of Sachs selling their shares in the family company, it added. All that was forbidden was the sale in conjunction with a merger which made it likely that an existing dominant market position would be strengthened.

EUROPEAN OPTIONS EXCHANGE

Option	Price	July Close	July Vol.	Oct. Close	Oct. Vol.	Jan. Close	Jan. Vol.	Equity close
E. Kodak	$40	—	—	13	3	—	—	$52¼
E. Kodak	$45	7⅞	25	8¾	25	-	-	..
E. Kodak	$50	4¾	62	5	94	7	9	..
GM	$50	—	—	—	—	—	—	$66¼
GM	$60	—	—	6½	2	6½	10	..
GM	$70	—	—	2	35	3¾	27	..
IBM	$240	22¾	17	24⅞	3	—	—	$261
IBM	$260	10	30	12½	16	15¼	1	..
IBM	$280	3	11	5⅝	38	8	10	..
Philips	F22.50	3.20	3	—	—	—	—	F25.50
Philips	F25.00	1.60	45	[illegible]	268	2.30	1	..
Philips	F27.50	—	..	0.80	35	1.40	139	..
R. D. Shell	F120	11.20	7	11.20	8	—	—	F130.80
R. D. Shell	F130	3.60	50	4.80	74	5.60	6	..
R. D. Shell	F140	0.50	10	1.50	58	2.50	6	..
Unilever	F110	12.80	11	—	2	—	—	F121.60
Unilever	F120	-	-	4.70	17	—	—	..
Unilever	F130	0.50	10	1.30	4	3.20	2	..
		May		August		November		
BP	700p	88	—	95	—	130	—	784p
BP	750p	59	—	49	—	85	—	..
BP	800p	19	—	30	—	60	—	..
GEC	200p	—	—	—	—	—	—	242p
GEC	225p	—	—	—	—	—	—	..
GEC	250p	—	—	—	—	—	—	..
GEC	275p	—	—	—	—	—	—	..
ICI	300p	60	—	55	—	100	—	339p
ICI	325p	32	—	32	—	60	—	..
ICI	350p	21	—	15	—	35½	—	..
ICI	375p	15	—	14	—	15	—	..

NEWS ANALYSIS — STAFLEX

Unpalatable decisions

BY CHRISTINE MOIR

At midday to-day shareholders of Staflex International, the iron-on interlining specialist, will be asked to agree to a package of sales and closures designed to reduce group borrowings by £2.3m. and increase assets by £690,000. They will also be asked to brace themselves for "very severe trading loses" and "substantial write downs" when the 1977 figures are published.

In fact shareholders will have little alternative but to agree to the main element in the package; the £1.35m. sale of the sewing machine distributor, Bellow Machines, to Pfaff, the German sewing machine manufacturer which is Bellow's main supplier. If the deal does not go through Pfaff has threatened to sever its links with Bellow and that would wipe out the £¼m. pre-tax profits which Bellow contributes to the group.

The trouble is that even after this somewhat unpalatable deal goes through, Staflex will remain very highly geared at a time when it is also being forced by weak market conditions and shrinking market share to close down or cut back on production in the U.K. and Europe.

Updating the last (1976) balance-sheet to take account of to-day's package, and stripping out goodwill, leaves stated net assets of around £7.4m. including £1.1m. of capitalised costs of the Burnley and Dutch re-organisation and before the drain on reserves which the 1977 losses and write offs will create.

On the debit side of the balance sheet, the latest circular indicates net borrowings of £11.4m. which would reduce to £9.1m. through the sale of Bellow and Barnes the fabric finishing subsidiary and the closure of Burnley. This imbalance over assets would be troublesome enough but in addition the group also has nearly £10m. of contingent liabilities in respect of guarantees and discounted trade bills. This figure is nearly £2m. higher than in 1976 and more than double the 1975 figure of £3.7m.

Degearing is obviously the top priority and, among other moves, the directors are making a determined attack on stocks, though so far this has only resulted in an 18 per cent. decline from the 1976 peak of £19.4m.

This is not the first time Staflex has tried to degear. Back in 1975 it made a £1.34m. rig[ht] issue for that purpose. Borro[w]ings were then of the order [of] £8m.; by 1976 they had gone to £10.4m. With interest ra[tes] galloping up as well, the hope [of a] return to growth was wiped ou[t].

Meanwhile, Staflex was beg[in]ning to face real problems in [the] market around this time. [The] company had become a grow[th] stock back in the early '60s wh[en] its new woven fusible inter[lin]ings coincided with a fash[ion] shift to lightweight clothing. P[ro]fits roared ahead at a rate [of] 30 per cent. per annum a[nd] Staflex geared up to take adv[an]tage.

Unfortunately, it was una[ble] to protect itself complete[ly] through patents so by 1975 the[re] were plenty of competitors ab[out] at a time when the main U[.K.] and European markets h[ad] reached the "mature" period [of] steady but unspectacular grow[th].

Into the bargain, some of [the] textile giants, notably Freud[en]berg, of Germany, and Bond[ed] Fibre Fabrics, a Courtaulds su[b]sidiary, had developed a n[on-]woven equivalent which was [fre]quently cheaper and m[ore] economical.

According to Mr. James Jo[hn]ston, the managing director [of] Bonded, and a former chairm[an] of the British Interlining Ma[nu]facturers Association, the n[on-]woven products are stealing m[ar]ket share from Staflex's m[ain] product at a time when the Eu[ro]pean market in any case is [in] decline and the U.K. garme[nt] market is sluggish.

Against this backgrou[nd] Staflex has been relying m[ore] and more on its overse[as] interests but these, while mai[nly] sound, also have hiccoughs a[nd] overseas losses mean a heavy [tax] bill. What is more, with marg[ins] slipping badly in the U.K. Sta[flex] has worked to concentrate [its] main European production [in] Holland.

Now the company has disclo[sed] that weaving capacity in E[ng]land is to be cut by 60 per c[ent.]

It is true that Staflex is developing a non-woven side [but] this seems to be rather late [in] the day, and there are virtu[ally] no other signs of diversificati[on].

Coupled with the high gear[ing] and the news that major m[an]agement changes are plann[ed] these factors should give sha[re]holders plenty to ask questi[ons] about at lunchtime.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

NORTH AMERICAN NEWS

Disposal boosts Textron

PROVIDENCE, April 25.

NET income of Textron for the first quarter ended April 1 rose from $28m. to $39.8m., or from 75 cents per share to $1.06. Sales were ahead from $680.5m. to $727.2m.

Commenting on the higher first quarter earnings, Textron said that this year's first quarter net included $6.4m. or 17 cents a share resulting from the sale of the capital stock of Security Insurance to Orion Capital Co.
AP-DJ

Diversey snubs Molson

By Robert Gibbens

MONTREAL, April 25.

THE AMERICAN speciality chemical producer, Diversey Corporation, has rejected the proposal from Canada's Molson companies to buy any or all of Diversey's outstanding stock it does not already own at $US28 a share cash.

Diversey has told Molson that its directors have "unanimously concluded that the proposal is not in the best interest" of its stockholders and has filed suit in Cook County, Illinois, "to assure our stockholders will enjoy the protections afforded by state law."

Molson currently owns about 10 per cent. of Diversey's outstanding stock, acquired mainly in the market recently. In Toronto, Molson had no immediate comment.

Upsurge at Quaker Oats

CHICAGO, April 25.

QUAKER OATS' earnings for the third quarter ended March 31 were up about 35 per cent. over the $15.8m. or 70 cents a share in the year-ago quarter, says Mr. Robert D. Stuart, Jr., chairman and chief executive officer.

Quaker Oats expects a "substantial" increase in fourth quarter earnings and in fiscal 1978 the chairman expects the company will exceed last year's net income of $67.6m. or $3.01 a share.
AP-DJ

Leading oil companies maintain steady advance

BY STEWART FLEMING

NEW YORK, April 25.

MODERATE increases in first quarter earnings have been reported by the majority of leading U.S. oil companies, including Shell Oil which records a near 5 per cent. profit advance.

Standard Oil of Indiana's first quarter earnings are 3 per cent. higher, Atlantic Richfield's 2.5 per cent. higher and Union Oil of California has reported a 3 per cent. rise. The biggest increase was reported by Standard Oil of Ohio (Sohio), the British Petroleum affiliate in the U.S., which reported a 56 per cent. earnings rise from $18.7m. to $36.3m. (75 cents a share against 48 cents a share).

Sohio's figures are nevertheless disappointing to some analysts, since the company was expected to report surging profits as a result of the flow of Alaskan oil. The U.S. coal strike is thought to have had some adverse impact on profits, along with the glut of oil on the West Coast of the U.S.

Predicting a 6 per cent. rise in 1978 capital expenditures to some $2.1bn., Shell Oil reports first quarter earnings of $193m. (or $1.31 a share) against $184m. (or $1.29 a share) on revenues of $2.6bn. against $2.5bn.

Standard Oil Co. (Indiana) reported first quarter earnings of $1.72 per share against $1.67. Net income was up from $244.2m. to $252.5m. on revenues ahead from $3.4bn. to $3.8bn.

Atlantic Richfield Co. reported first quarter earnings per share of $1.23 against $1.20. Net income was up from $145.2m. to $150.3m. on revenues ahead from $2.77bn. to $2.93bn. Results for 1977 have been restated to include the

Union Oil Company of California reported per share earnings of $1.76 fully diluted against $1.71. Net income improved from $77m. to $79.3m. on revenues unchanged at $1.46bn.

Going against the trend however, Gulf Oil Corporation blames a drop in income due to "our exploration and production operations." Gulf's net was down to $155m. (or 79 cents a share) from $166m. (or 85 cents) in the year-ago first quarter. Revenues rose to $4.88bn. from $4.85bn.
Agencies

Firestone closure plan attacked

GENEVA, April 25.

A TRADE UNION statement has charged that plans to close various Firestone Tire plants in the U.S., Canada and Switzerland are part of an overall strategy to shift production to east-west ventures in low-wage Communist countries.

The statement claimed that the Akron, Ohio, manufacturer had invested large funds in these joint ventures to prepare for the sale in the West of tyres "which are produced at very low labour costs and in the absence of legitimate, real unions."

The accusation was made in an appeal circulated by the Geneva-based International Federation of Chemical and General Workers Unions after Firestone announced planned shutdowns of plants in Akron in the U.S., Calgary in Canada, and Pratteln in Switzerland.

There was no immediate reaction from Firestone headquarters which had cited a need for "increased production efficiencies" as a reason for its move that caused bitter reactions in Switzerland where 600 workers will have to be laid off.

A Firestone Switzerland executive said there was "no intention" by the subsidiary to import East European tyres to Switzerland. But he referred to headquarters for more detailed comment.

The company has said its unprofitable operation in Switzerland was partly due to the dramatic increase in the value of the Swiss franc. This, it said, was pricing Swiss-produced tyres out of markets.

The federation dismissed this argument as "pure propaganda." Fact was, it said, that Firestone as well as other, unidentified the Soviet Union from where the production is being redirected to Western markets."

Signed by Mr. Charles Levinson, Canadian secretary general, the statement called for international solidarity by affiliates of the federation, which coordinates linkages between organised rubber workers throughout the non-Communist world.

Solidarity measures would include stoppage of excess overtime working and the prevention of transfer of production. The appeal was originally meant to be circulated internally, according to federation officials, but the Swiss affiliate in Basle released excerpts to the Press.
Agencies

Bethlehem Steel back in the black

NEW YORK, April 25.

BETHLEHEM STEEL Corporation reported net earnings for th first quartr of 2 cents a share against a loss of 58 cents in the comparable period.

Total nt earnings were $1.1m. against the $25.2m. loss last time. Sales of $1.38bn. compare with $1.27bn.

Bethlehem said pre-tax income for the first quarter was reduced by an estimated $50m. as a result of the coal strike and the harsh winter which "affected most of our steelmaking operations." But the company said these factors were partially offset by a reduction of approximately $25m. in the cost of sales due to liquidations of Life Inventory which is not expected to be replaced by year end.
Agencies

Sales rising at Deere

MOLINE, April 25.

FARMING equipment manufacturer Deere sees a gain of 16 per cent. in sales in the first half of the year, the chairman Mr. William A. Hewitt told the annual meeting. Last year's sales totalled $1.62bn.

He did not estimate earnings but said the cost-price pressures and changes in world currency relationships which resulted in moderately lower profit margins in the first quarter are continuing to affect operations.

For the first quarter ended January 31, Deere earned 80 cents a share, up from 67 cents a year earlier.

Mr. Hewitt said that Deere is in the midst of its spring selling season for farm machinery and is encouraged by the level of retail sales especially in the U.S.
Agencies

White Weld unit 'in loss position' before takeover

BY DAVID LASCELLES

NEW YORK, April 2

WHITE WELD and Company, the securities firm owned by White Weld Holdings which was recently acquired by Merrill Lynch in the latest round of Wall Street mergers, had begun to make large losses in the months before the takeover, the Wall Street Journal reports today.

Quoting what it describes as copies of confidential White Weld reports outlining the company's operations over several years, the Journal says the company had a net loss of $2.1m. in the first quarter of 1978 and a net loss of $4m. for the last nine months before it was taken over on April 14.

Merrill Lynch would not comment on the Journal's figures today, but the company emphasised that it had acquired White Weld Holdings, which was described as "profitable," and not just White Weld and Company. The company did, however, imply that White Weld and Company might have been in difficulty by adding that the Journal report should be seen in the context of the fact that the securities industry as a whole had been going through a difficult period.

But unlike many well publicised cases, White Weld was a private company and not therefore obliged to reveal its financial position. At the time of the takeover, both White Weld and Merrill Lynch said that the company had operated profitably up June 1977, the end of the last fiscal year.

This claim is borne out by the figures quoted by the Journal. But White Weld and Company's position clearly changed sharply in the second half of last year.

During the nine months ending on March 31, 1978, gross income fell to $71.5m., some 9 per cent. below the figure for the comparable period a year earlier. This was due to a drop in income from trading and arbitrage, and from agency commission. At the same time the cost of wages and salaries rose 12 per cent. to about $31m.

Overall losses in January year were $872,000, rising $1.9m. in February. Although company managed to pos profit of $697,00 in March, net loss for the quarter $2.1m.

However, other figures qu by the Journal do indicate the parent company, White W Holdings, was operating a profit, albeit a declining During the six months en December 11, 1977, the comp earned $1.6m., somewhat be its record $4.8m. earnings in same period the year before

These earnings were mainly to profits from Cr Suisse White Weld, its E pean arm, from Foreign rency translation gains estimated recovery of Fed income-tax. However, the jou was unable to produce figures the parent company's finan position during the first t months of 1978, when W Weld and Co., began to show losses.

IBM to expand capacity

DENVER, April 2

INTERNATIONAL BUSINESS Machines Corporation is expanding its worldwide manufacturing capacity to meet record product demand, the chairman, Mr. Frank Cary told the annual meeting.

Mr. Cary said IBM currently has the largest order backlog in its history.

In 1978 IBM's manufacturing plants around the world will make 60 per cent. more computer systems, both large and small, 80 per cent. more terminals, and 200 per cent. more office systems.

High demand for IBM products beyond 1978 was also predicted by Mr. Cary.

One reason for this is "penetration of IBM product worldwide markets is only i early stages."

He criticised the U.S. Gov ment for delaying the compa chance to present its defenc the nine-year-old anti-trust against IBM.

EUROBONDS

MacDonald Hamburger plans $ issue

BY MARY CAMPBELL

PRICES of D-Mark denominated bonds fell sharply again yesterday. The dollar sector continued to be pulled in two directions with expectations of an improvement in the currency situation being offset by fears of rising interest rates.

Several new dollar denominated issues are in the offing, including one for MacDonald Hamburger. Two issues have been announced, $50m. for the Province of Newfoundland and a $30m. floating rate note for the Polish foreign trade bank, Bank Handlowy. Other issues in the market include a $50m. three-year note for Istituto per lo Seilupo Economico dell'Italia Meridionali (Isveimer) which is 85 per cent. Italian state-owned and a Fls.75m. issue for Oesterreichische Kontrollbank.

The Newfoundland issue offers an indicated 9¼ per cent. on a 12-year final maturity (average life 9.6 years). Crédit Commercial de France is lead manager. The Bank Handlowy issue offers a margin over inter-bank rates of 1¼ per cent. subject to a minimum rate of 8 per cent. This issue, for which Banque Nationale de Paris is lead manager, has a final maturity of ten years with a bondholders' option to redeem after five.

Terms of the new Austrian guilder note offering, which is State guaranteed, include a final maturity of seven years, a coupon of 6½ per cent. and a pricing at 98½ per cent. of the face value of the bonds. Amster Rotterdam is lead manager.

The Isveim issue is b offered in 10,000 denominat on a serial note basis (whe part of each bond is redee at each redemption date ra than individual bonds b called in full). The interest is 8¼ per cent. payable s annually and the average li two years. Dillon Read I national is handling the issu

The City of Copenhag 15-year 7 per cent. unit account issue has been incre from $25m. to $30m. and pr at 100¼.

The issue had been postpo but was relaunched last wee The Nordic Investment Ba $25m. issue was yesterday pr at par with other terms changed from indications.

AMERICAN QUARTERLIES

AMER. ELECT. PWR. First Quarter	1978 $	1977 $
Revenue	572.0m.	527.0m.
Net profits	75.0m.	65.0m.
Net per share	0.73	0.70

ASARCO First Quarter	1978 $	1977 $
Net profits	*11.0m.	8.0m.
Net per share	—	0.30

*Loss.

BORDEN First Quarter	1978 $	1977 $
Revenue	843.6m.	823.5m.
Net profits	27.6m.	26.5m.
Net per share	0.89	0.85

BURNDY First Quarter	1978 $	1977 $
Revenue	43.0m.	38.0m.
Net profits	4.0m.	3.0m.
Net per share	0.58	0.53

CARPENTER TECH. Third Quarter	1978 $	1977 $
Revenue	102.9m.	87.6m.
Net profits	8.87m.	8.24m.
Net per share	1.04	0.98

CHUBB First Quarter	1978 $	1977 $
Revenue	—	—
Net profits	18.2m.	13.8m.
Net per share	1.46	1.11

CINCINNATI MILACRON First Quarter	1978 $	1977 $
Revenue	147.8m.	116.1m.
Net profits	6.8m.	4.1m.
Net per share	0.92	0.56

CITY FINANCIAL First Quarter	1978 $	1977 $
Revenue	—	—
Net profits	16.3m.	15.1m.
Net per share	0.78	0.72

COMM. SATELLITE First Quarter	1978 $	1977 $
Revenue	42.2m.	42.0m.
Net profits	7.8m.	9.7m.
Net per share	0.97	0.96

CONS. EDISON First Quarter	1978 $	1977 $
Revenue	—	—
Net profits	67.0m.	64.2m.
Net per share	1.41	1.37

CRANE First Quarter	1978 $	1977 $
Revenue	388.0m.	270.0m.
Net profits	5.0m.	9.0m.
Net per share	0.50	0.84

CUTLER-HAMMER First Quarter	1978 $	1977 $
Revenue	134.1m.	115.2m.
Net profits	6.3m.	4.7m.
Net per share	1.06	0.81

EASTERN AIRLINES First Quarter	1978 $	1977 $
Revenue	584.0m.	521.0m.
Net profits	19.5m.	16.8m.
Net per share	0.92	0.85

FABERGE First Quarter	1978 $	1977 $
Revenue	45.0m.	43.0m.
Net profits	833,000	670,000
Net per share	0.15	0.12

FOSTERWHEELER First Quarter	1978 $	1977 $
Revenue	351.0m.	277.0m.
Net profits	8.0m.	6.0m.
Net per share	1.00	0.69

HERSHEY FOODS First Quarter	1978 $	1977 $
Revenue	191.0m.	173.0m.
Net profits	10.0m.	9.0m.
Net per share	0.75	0.64

IMPERIAL OIL First Quarter	1978 $C	1977 $C
Revenue	1.3bn.	1.2bn.
Net profits	72.0m.	76.0m.
Net per share	0.55	0.58

INSP. CONS. COPPER First Quarter	1978 $	1977 $
Net profits	*2.0m.	1.0m.
Net per share	—	0.42

*Loss.

IU INTERNATIONAL First Quarter	1978 $	1977 $
Revenue	630.2m.	554.4m.
Net profits	23.2m.	21.6m.
Net per share	0.69	0.64

JOSEPH SCHLITZ First Quarter	1978 $	1977 $
Revenue	231.0m.	258.0m.
Net profits	*1.5m.	7.0m.
Net per share	—	0.26

*Loss.

NATOMAS First Quarter	1978 $	1977 $
Revenue	103.0m.	139.0m.
Net profits	17.0m.	22.0m.
Net per share	2.12	2.80

NORTON SIMON Third Quarter	1978 $	1977 $
Revenue	623.0m.	432.0m.
Net profits	25.0m.	23.0m.
Net per share	0.49	0.43

PHILADELPHIA ELECT. First Quarter	1978 $	1977 $
Revenue	403.0m.	366.0m.
Net profits	56.0m.	50.0m.
Net per share	0.61	0.57

REVERE COPPER First Quarter	1978 $	1977 $
Revenue	131.0m.	135.0m.
Net profits	3.5m.	0.5m.
Net per share	0.61	0.09

SAFECO First Quarter	1978 $	1977 $
Net profits	29.0m.	21.0m.
Net per share	2.22	1.57

SHERWIN-WILLIAMS First Quarter	1978 $	1977 $
Revenue	232.0m.	219.0m.
Net profits	*1.7m.	*5.3m.

*Loss.

VULCAN MATERIALS First Quarter	1978 $	1977 $
Revenue	123.0m.	102.0m.
Net profits	4.0m.	4.0m.
Net per share	0.33	0.32

WINN-DIXIE Third Quarter	1978 $	1977 $
Revenue	1.0bn.	1.0bn.
Net profits	22.0m.	20.0m.
Net per share	1.02	0.92

Gt. Northern Nekoosa rise

REPORTING higher first-quarter profits, Great Northern Nekoosa shows 89 cents a share going against 86 cents, agencies report. Imperial Corporation of America was also ahead, with $1.09 per share against 78 cents for the comparable period of last year. First Pennsylvania turns in 63 cents a share against 51 cents, while Lenox reports 35 cents, ahead from the 31 cents last year. Square D was also higher at 61 cents a share, against 53 cents. Losses, on the other hand, come from Libby-Owens-Ford with $1.13 a share this time against $1.24. In a similar situation is Pacific Lighting with 92 cents a share for the period against $1.23 in the previous year.

Operating profit at Northern Telecom slipped to 71 cents a share in the first quarter from the 75 cents of the previous period. At Western Union, however, first-quarter net edged forward from 55 cents to 56 cents. Others to report first-quarter progress included Stanley Works, up from 92 cents to $1.15 a share, Safeway Stores, with 97 cents a share against 87 cents, Louisiana Pacific Corporation, 66 cents against 52 cents, Springs Mills, 73 cents against 49 cents, Carolina Light and Power, 89 cents against 94 cents, Media General 39 cents against 42 cents, Pacific Lumber 71 cents against 58 cents and Skaggs with 50 cents against 40 cents. Third-quarter earnings were reported by Kennametal at 85 cents against 73 cents.

GERMAN NEWS

Volkswagen optimistic for 1978

BY GUY HAWTIN

FRANKFURT, April 25.

VOLKSWAGEN, bolstered by a full order book, is hoping that this year will equal 1977's excellent performance. But, although the tone of its report is optimistic, it is as yet hard to determine the effect that yesterday's 5.9 per cent. pay increase awarded to its West German labour force will have on 1978's profits.

Last year's net group profits totalled DM419m. ($201.5m.) which was a hefty decline on 1976's DM1.004bn. But, as Herr Toni Schmuecker, VW's chief executive, pointed out, the 1976 profits had been boosted by the write-off potential of the previous two years' losses. These amounted to some DM807m. for 1974 and DM157m. for 1975.

Furthermore, West Germany's corporation tax reform has increased the state's bite in corporate earnings throughout the Federal Republic. Shareholders who pay West German taxes will be considerably better off, however, as they are allowed to offset corporation tax paid on their dividend against personal taxes.

The group has gone into 1978 with a bulging order book. Earnings last year benfited considerably from the improvement in capacity utilisation at the group's plants, said Herr Schmuecker.

This year the group's worldwide deliveries to customers in the first three months totalled 556,000 vehicles—some 1 per cent. fewer than in the comparable period of 1977. In West Germany, they were down 5.9 per cent. to 214,900 units. Deliveries in the U.S., where VW's assembly plant has just started up, rose by 4.7 per cent. to 65,500 units, and in Brazil they surged by 9.2 per cent. to 109,200 units.

Herr Schmuecker said that the decline in deliveries in West Germany stemmed purely from the group's inability to keep production in pace with demand. It certainly did not reflect any weakening of the market. During the first quarter of 1978, VW's share of the domestic car market was, according to the group's own reckoning, about 30 per cent.

The improvement in deliveries in the U.S. market was relatively low compared with the figures for the previous year. Although the group was pleased that the Westmoreland, Pennsylvania, assembly works had come on stream, the group's models on sale in the market would still be affected by the course of the dollar on the foreign exchanges. The weak state of the dollar meant that price rises in the market would be unavoidable because Westmoreland was dependent on deliveries from West Germany and VW works in other countries.

Production operations in Brazil and Mexico had shown some improvement, although the Brazilian increase in deliveries had to be viewed against the low level of sales in 1977. In Mexico there had been a noticeable rise in demand since the introduction of the Golf model.

Shareholders will receive a dividend of DM7 plus a DM1 bonus, per DM50 nominal share for 1977.

The group, whose turnover last year increased to DM24.2bn. ($11.64bn.), saw production last year increase by 2.5 per cent. world-wide to 2,218,900 units. Whether it was possible for it to equal the 1977 performance was difficult to determine, said Herr Schmuecker. The group, however, thought it stood "a fair chance" of doing so.

The Volkswagen rights issue, which will bring the group's nominal capital up from the current DM900m. to DM1.2bn.—it is being offered at a ratio of one to three and a price of DM150 per DM50 nominal share—would mean that the dividend would have been paid on a greatly increased capital base. Earnings, however, were expected to be sufficient to allow the dividend to be maintained.

West LB sees upturn in credit business

BY OUR OWN CORRESPONDENT

FRANKFURT, April 25.

WESTDEUTSCHE Landesbank Girobentrale (West LB), West Germany's third largest bank, is taking an optimistic view of 1978. Dr. Johannes Voelling, the chief executive, said to-day that operating profits should at least equal those of 1977 and could well overtake them.

The bank, he said, was expecting a distinct improvement in credit business this year. Demand for long-term industrial credit was already considerably stronger than in the opening months of 1977, particularly for construction projects. As a result, interest margins were expected to improve.

Dr. Voelling was at pains to demonstrate that he was firmly in the driving seat. Se succeeded to the chairmanship of the executive board after the departure of Herr Ludwig Poullain, the former chief executive, late last year.

He said that the bank's "structural" overseas growth had been completed with the opening of its Tokyo and Hong Kong operations. This, however, did not mean that it was putting the brakes on its overseas activities.

West LB's foreign business, he said, was an important suorce of profits. Last year it accounted for some 21 per cent. of the concern's business, yet returned an "over-proportional" 30 per cent. of West LB's profits.

Dr. Walter Seipp, deputy chief executive and head of the bank's foreign operations, said that in the past the expansion of the bank's overseas business had been rapid because it started at a very low level. It was natural that now it had reached a substantial level that the rate of growth would slow down.

Last year the bank's pre-tax earnings went up by 6.6 per cent. from 1976's DM284m. to DM303m. (some $??m. while the group's balance sheet total increased from some DM75bn. to DM82.71bn. ($39.78bn.). Earnings after tax were up DM11m. to DM174m.

Operating profits—excluding those from the bank's trading activities—had been enhanced by a strict control on costs, said Dr. Voelling. They had risen by 27 per cent. to DM436m. interest earnings were up from DM787m. to DM864m., while commission earnings had risen from DM134m. to DM169m.

At home, restricted demand for credit produced a decline in the bank's short term credit business. However, this had been more than offset by an increase in lending by West LB's overseas operations.

Two-thirds profit rise from Moet Hennessy

By David White

PARIS, April 25.

CHAMPAGNE, cognac and perfume group Moet-Hennessy increased sales by about 16 per cent. last year and raised consolidated net profit by about two-thirds — from Frs.40.1m. to Frs.65.6m. ($14.1m.). Group sales rose to Frs.1.54bn. ($328m.) from Frs.1.31bn., and gross operating profits almost doubled to Frs.152.6m.

The parent company, which is changing its business year from July-June to January-December to fit in with the operating subsidiaries, showed a Frs.8.7m. net profit in the latter half of 1977. The company said that because of the change in accounting dates this was not comparable with the Frs.31.6m. earned in the previous year.

Moet-Hennessy recommends the same dividend—a gross Frs.12.60 including tax benefit—for the six months as it paid for the previous full financial year.

The results confirm the return of good times for the champagne industry, where Moet-Hennessy leads the field with its Moet-Chandon and Mercier brands. Following the pattern of other "Grandes Marques," the company registered an increase of over 20 per cent. in its champagne sales, which brought in Frs.717m. last year.

Net profits from champagne doubled from Frs.13.4m. to Frs.27.6m., despite a Frs.6m. loss at its Californian operations, larger than the previous year's, which the company said was due to start-up costs.

The Hennessy cognac label did less well. Although sales rose to Frs.396.3m. from Frs.376.1m., net profit in this sector was down to Frs.16.9m. from Frs.19.1m.

The group's cosmetic operations, headed by Christian Dior perfumes, have expanded rapidly. Sales rose last year to Frs.412.9m. from Frs.342.3m., operating profit doubled to Frs.67m. from Frs.33m. and net earnings likewise to Frs.28.7m. from Frs.13.8m. Moet-Hennessy increased its interest in this sector earlier this year by securing a controlling interest in the Roc cosmetic group.

SWEDISH MATCH REVIVAL

Waking the giant

BY WILLIAM DULLFORCE, NORDIC CORRESPONDENT

WHEN SWEDISH Match sold its 29 per cent. holding in Wilkinson Match to Allegheny Ludlum last December, the main effect in London was to spark off controversy over the future control of the British company. In Stockholm the sale was seen as one of several moves in the revival of the Swedish multinational under its new managing director, Mr. Gunnar Dahlsten. The 1977 shareholders' report—a remarkably open and informative document—now offers evidence of the vigour with which this re-organisation has been pushed through following the Board's success last year in shrugging off a takeover bid from KemaNobel.

Swedish Match's holding in Wilkinson Match had become, in Mr. Dahlsten's book, "an idle asset" or a "portfolio investment." Mr. Dahlsten's reorganisation, which becomes effective next month, combines an integration into product groups stretching across national boundaries with a devolution in management responsibility.

The group's strengths and weaknesses are neatly disgnosed in the shareholders' report, which distinguishes between those companies that made operating profits of Kr.280m. ($60m.) on Kr.2.4bn. employed capital in 1977, and those that returned a loss of Kr.150m. on Kr.1.5bn. capital.

Mr. Dahlsten's treatment is a bold statement of financial objectives. The expansion through the purchase of foreign companies, which took place earlier this decade, coupled with the poor profit performance of the last two years has reduced group solvency to "an unacceptably low level."

The group's ratio of equity to debt was 30 per cent. at the end of 1977. It would have been around 25 per cent. without the sale of the holdings in Wilkinson and the Gullspaang Power Company. To reach a solvency ratio of 35 per cent.—a group target—within five years, Mr. Dahlsten estimates that the group will need an average annual return on total capital employed of 14 per cent.

He also wants to speed up the turnover of working capital to five times a year, which would imply at the current sales level

> The reorganisation combines an integration into product groups stretching across national boundaries with a devolution in management responsibility

an ambitious reduction of Kr.400m. ($87m.) in working capital. The liquidity target is set at 10 per cent. of sales. The transactions made during 1977 increased group liquid assets by Kr.59m. to Kr.671m., corresponding to 13 per cent. of sales.

Last year Swedish Match turned in almost unchanged and very modest pre-tax earnings, struck after cost-calculated depreciation, of Kr.54m. ($11.7m.) on consolidated sales of Kr.5.04bn. ($1.09bn). But the paid account is dominated by the extraordinary items, which transform the pre-tax figure into a loss before appropriations of Kr.36m. These items include an income of Kr.282m. from the sale of the Wilkinsin and Gullspaang shares and Kr.373m. in costs.

Among the extraordinary costs, Swedish Match lists Kr.84m. from the effect of the Krona devaluation. The restructuring of the West German Kuebel factories and the machinery companies took Kr.52m., and there were write-offs of Kr.80m. in losses on the Swedish building materials involvement and Kr. 51m. on the Philippine sawmill project, which was disposed of.

More restructuring costs [are to] be expected in the board machinery companies and in West German and French op[era]tions this year, but Mr. Dahl[sten] anticipates that the net resul[t of] the extraordinary items will [be] "considerably better." He forecasts a "somewhat bett[er]" operating result in 1978.

Some volume sales gr[owth] could be achieved and the investment policy should b[ring] about an improvement in financial costs. But judgemen[t on] Mr. Dahlsten's strategic cha[nges] will probably have to wait u[ntil] 1979.

Two features stand out am[ong] the organisational changes. T[hey] are the incorporation within building components divis[ion], which has been largely domestic Swedish operation, the foreign door, board kitchen furniture factories, the integration of the lighter match divisions.

The new international buil[ding] components division will h[ave] sales of around Kr2bn. compa[red] with Kr.860m. under the organisation. It gets a new ch[air]man and managing director. match division has been group's main profits gener[ator] right through the recession, tributing Kr.84m. of the solidated Kr.129m. opera[ting] profit.

The group lost Kr. 23m. on lighters last year and still ha[s to] claw back substantial deve[lop]ment costs, so that the inte[gra]tion of the lighter and ma[tch] operations is an interest[ing] experiment. In 1970 Swe[dish] Match had some 60 per cent the disposable lighter mar[ket]; to-day it has no more than 10 cent., having refused to get the price-cutting battle with Gillette and the Japanese.

The company has ready marketing two new lighters it is negotiating co-operat[ion] agreements with several for[eign] companies.

Maltese bank downturn

By Godfrey Grima

VALLETTA, April 25.

PRE TAX profit of the Bank of Valletta dropped to just over £M1m. from £M1.4m. in 1977 "due to the impossibility of repeating the exceptional gains made in 1976."

In his annual address to shareholders chairman Dr. Joseph Agius reported that this caused taxed profits of the Maltese bank to drop to £M660,000. However the bank's operational profits—excluding earnings on foreign assets—at £M1m. were higher than the 1976 figure of £M700,000. Reserves had "again been strengthened."

Daimler-Fiat link frowned on by Cartel Office

BY LESLIE COLITT

BERLIN, April 25.

THE FEDERAL Cartel Office views the proposed co-operation between Daimler-Benz and Fiat to produce automatic truck transmissions as "very problematic," according to the agency of the West German Economics Ministry in West Berlin.

The co-operation venture which has been put forward in a letter of intent is currently under scrutiny by the EEC cartel authorities in Brussels to see whether it conforms with European Community law.

The Cartel Office says that the preliminary examination has shown that such co-operation proposed by Daimler and Iveco Vehicle of Amsterdam, which is *80 per cent. owned by Fiat*, would influence competitive conditions in West Germany, where together they have a four-fifths share of the truck market.

The Cartel Office would regard this as "not unobjectionable, from the standpoint of merger control law," but the Berlin office would prefer to let Brussels first reach a decision.

VNU expands overseas

By Charles Batchelor

AMSTERDAM, April 25.

VNU, the largest Dutch publishing company, will concentrate its expansion plans on countries outside Holland and Belgium where the opportunities for large-scale growth are "limited." It has established some of its assets in a finance company, VNU Finance, on the Netherlands Antilles so that its liquidity is in the "most appropriate form" to take new initiatives.

Setback for Spanish fuel distributors

BY ROBERT GRAHAM

MADRID, April 25.

CAMPSA, the semi-private company that has the monopoly of the distribution of petroleum and petroleum products in Spain, increased its turnover in 1977 but on a reduced volume. Sales of petroleum and petroleum products totalled Ptas436bn. ($5.45bn.), a 19 per cent. increase on 1976.

However, the volume of sales, especially fuel oil, declined from 36.5m. tons to 33.73m. tons. This drop has been explained partly by a levelling off of demand, but more importantly by improved rainfall in 1977. As a result energy consumption in Spain was able to rely more on hydro-electric power, the percentage of petroleum in Spanish energy consumption declining from 73 per cent. to 66 per cent.

Net profits figures were affected by this and increased overheads. Campsa reported net profit Psts1.8bn. ($$2.5m.), a drop of eight per cent. compared with 1976. The dividend is being maintaine dat last year's level of 11.3 per cent.

During the year, capital investment increased from Psts3.8bn. to Psts4.6bn.—45 per cent. of which was devoted to boosting storage capacity from 4.17m. tons to 5.16m. tons. Campsa's activity in exploration was reduced, with a net decline both in the amount of drilling and the acreage surveyed. It currently holds 60 exploration permits.

Little mention was made of the company's future in the national energy plan that is now being worked upon. Campsa, which has the largest turnover of any Spanish company, enjoys an unusual status. It is regarded by the directors as a private company, but the state, through the Ministry of Finance, holds 51 per cent. of the equity. The remaining 49 per cent. is [held] mainly by eight banks, [which] include the largest, Banc[o] Central, Hispano-Americano [and] Bilbao. The state's share [of] profits is treated as a bud[get] receipt, while the profits of private shareholders are und[er]stood to be tax exempt. Un[der] the company's original statu[tes] the state guaranteed a minim[um] 4 per cent. dividend, and Cam[psa] still enjoys customs privileges [on] the import of capital equipme[nt].

Until Sr. Albert Oliart was [re]placed as Energy Minister [in] February, the national ene[rgy] plan envisaged a rationalisat[ion] of the state holding in Camp[sa] transforming it to the direct [con]trol of INI, the state hold[ing] company that groups the bul[k of] state energy interests. This m[ove] was strongly opposed by [the] Finance Ministry, and it seems as though the state's s[take] in the Campsa equity will [re]main in the latter's hands.

SELECTED EURODOLLAR BOND PRICES
MID-DAY INDICATIONS

STRAIGHTS	Bid	Offer
Alcan Australia 9½pc 1989	94½	97½
AMEV 8pc 1987	97½	98
Australia 8½pc 1992	94½	95
Australian M. & S. 9½pc '92	98	98½
Barclays Bank 8½pc 1992	97½	98

FLOATING RATE NOTES	Bid	Offer
Bank of Tokyo 1984 7 15/16pc	99½	100
BFCE 1984 8½pc	99½	100½
BNP 1983 8 1/16pc	100½	101½
CCF 1983 8pc	99½	100½
CGMF 1984 7¾pc	99	99½
Creditanstalt 1984 7¾pc	99½	100½
Credit Lyonnais 1982 8pc	99½	100½
DG Bank 1982 7 13/16pc	100	100½
GZB 1981 8 1/16pc	100½	101½

	Bid	Offer
Intl. Westminster 1984 8pc	99½	[illegible]
Lloyds 1983 7⅞pc	100½	[illegible]
LTCB 1983 8pc	99½	[illegible]
Midland 1982 8pc	101½	[illegible]
Midland 1987 7 11/16pc	99½	[illegible]
OKB 1983 7¾pc	100	[illegible]
SNCF 1985 8½pc	99½	[illegible]
Std. and Chtrd. '84 7 11/16pc	99½	[illegible]
Wms. and Glyn's '84 8 1/16pc	99½	[illegible]

Source: Kidder, Peabody Securities.

LEGAL NOTICE

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matters of

No. 001175 of 1978
A. B. TIGG LIMITED
No. 001176 of 1978
ARLU (FASHION SPECIALISTS) LIMITED
No. 001177 of 1978
KENROY DEMOLITION CONTRACTORS LIMITED
No. 001178 of 1978
MANDEVILLE OF LONDON LIMITED
No. 001180 of 1978
PALLAS DRESSES LIMITED
No. 001184 of 1978
YARGLEN LIMITED
No. 001184 of 1978
FOR GOODNESS SAKE LIMITED
No. 001186 of 1978
DOCTORS FINANCIAL ADVISORS LIMITED

and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN that Petitions for the winding up of the above-named Companies by the High Court of Justice were, on the 17th day of April 1978, presented to the said Court by the Commissioners of Customs and Excise of King's Beam House, 39-41 Mark Lane, London EC3R 7HE, and that the said Petitions are directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 15th day of May 1978, and any creditor or contributory of any of the said Companies desirous to support or oppose the making of an Order on any of the said Petitions may appear at the time of hearing in person or by his Counsel for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of any of the said Companies requiring such copy on payment of the regulated charge for the same.

G. F. GLOAK,
King's Beam House,
39-41 Mark Lane,
London EC3R 7HE.
Solicitor for the Petitioners.

NOTE.—Any person who intends to appear on the hearing of any of the said Petitions must serve on, or send by post to, the above-named notice in writing of his intention to do so. The notice must state the name and address of the person, or, if a firm, the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served or, if posted, must be sent by post in sufficient time to reach the above named not later than 4 o'clock in the afternoon of the 12th day of May 1978.

COMPANY NOTICES

GENERAL MINING AND FINANCE CORPORATION LIMITED
(Incorporated in the Republic of South Africa)

DIVIDEND NO. 104—COUPON NO 105

HOLDERS OF SHARE WARRANTS TO BEARER will receive payment on or after the 5th May, 1978 at the rate of 84.90031p the amount declared per share less 12.73504p being South African Non-resident Shareholders' tax of 15%, against surrender of Coupon No. 105.

Coupons must be deposited for THREE CLEAR DAYS for inspection before payment will be made:—

In London at National Westminster Bank Limited, Stock Office Services, 5th Floor, Drapers Gardens, 12 Throgmorton Avenue, London, EC2.

In Paris at Credit du Nord et Union Parisienne, 6 & 8, Boulevard Haussmann.

In Basle at Swiss Bank Corporation, in Zurich at Credit Suisse.

Coupons belonging to holders resident in Great Britain and Northern Ireland will be paid as follows.

	p
Amount of Dividend after deduction of South African Non-resident Shareholders' Tax of 15%	72.16527
Less: United Kingdom Income Tax of 19% on the gross amount of the Dividend of 84.90031p ...	16.13106
	56.03421

Listing forms can be obtained on application to the National Westminster Bank Limited, at the address shown above

BY ORDER
GENERAL MINING AND FINANCE CORPORATION LIMITED
L. W. HUMPHRIES
London Secretary

London Office:
Princes House,
95 Gresham Street,
London, EC2V 7BN.

24th April 1978

NOTE:
Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African Non-resident Shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 19 per cent. instead of at the basic rate of 34 per cent. represents an allowance of credit at the rate of 15 per cent.

The gross amount of the dividend received to be entered by the individual shareholder on any return for income tax purposes is 84.90031p multiplied by the number of shares held

COMPAGNIE FINANCIERE DE SUEZ
Société Anonyme registered in France with a capital of Frs.326,110,600
Registered Office: 1, rue d'Astorg, 75008 Paris

GENERAL MEETING OF SHAREHOLDERS MAY 23, 1978

NOTICE IS HEREBY GIVEN that the Annual General Meeting of shareholders of Compagnie Financière de Suez will be held at the Grand Auditorium du Palais des Congrès, Centre International, 2 place de la Porte Maillot, 75017 Paris, on Tuesday, May 23, 1978 at 3.00 p.m., for the following purposes:

—Report of the Directors;
—Report of the Auditors;
—To approve transactions and Accounts for the financial year 1977 and the Balance Sheet as at December 31, 1977;
—To allocate profits and fix the dividend;
—To vote on the Special Report of the Auditors;
—To re-elect five Directors;
—Resignation of an Auditor;
—To authorise the Directors to issue, both in France and abroad, one or several loan stocks up to a total nominal amount of 400 million Francs;
—To delegate powers regarding compliance with formalities.

Only members holding at least five shares may take part in the Annual General Meeting, subject to the right of holders of fewer shares to combine their holdings (Art. 31 of Articles).

One attendance allowance of 20 Francs will be granted to each shareholder present.

Attention is called to the fact that no one can act as proxy for a shareholder at the Meeting unless that person is a shareholder, or the spouse, or the legal representative of the said shareholder (Art. 34, paragraph 5 of Articles.)

Holders of registered share certificates will receive direct from COMPAGNIE FINANCIERE DE SUEZ the forms required to attend this Meeting or be represented thereat.

Joint owners are required to appoint one of themselves to deal on their behalf with the Company and the person so appointed shall be regarded as the owner.

In accordance with the requirements of Article 163 of the Act of July 24, 1966 and of Art. 15 of the Articles, persons beneficially entitled to the income from shares are called to the Annual General Meeting.

To have the right to attend or be represented at this Meeting, holders of registered share certificates must be entered on the Company's Registers at least five days before the date of the Meeting, and holders of share warrants to bearer must deposit either their securities or the Certificate of deposit of these securities, at the Registered Office of the Company or with Banque de l'Indochine et de Suez, 62-64 Bishopsgate, London EC2N 4AR also at least five days before the Meeting.

Shareholders unable to attend the Meeting but wishing to be represented thereat must lodge proxy papers with the Company within the same time limit of five days before the Meeting.

Shareholders who intend to be present at the Meeting are requested to notify the Company's Registered Office as soon as possible, but at least five days before the date of the Meeting.

BY ORDER OF THE BOARD.

BUCKLERSBURY FUND S.A.
Société Anonyme
Headoffice: Luxembourg, 37 rue Notre-Dame
Trade Register: Luxembourg B8.360

Messrs. Shareholders are hereby convened to attend the Statutory General Meeting which will be held on May 10th, 1978 at 2.30 p.m. at 43, Boulevard Royal, Luxembourg, with the following agenda:

Agenda
1. Submission of the reports of the Board of Directors and of the Statutory Auditors
2. Approval of the financial statements for the year ended 31st December, 1977
3. Approval of appropriation to legal reserve for the year ended 31st December 1977
4. Payment of a dividend
5. Discharge of Directors and of the Statutory Auditors in respect of the carrying out of their duties for the year ended 31st December, 1977
6. Receipt of and action on nomination for election of Directors and the Statutory Auditors for the fiscal year commencing 1st January, 1978
7. Miscellaneous business as may properly come before the Meeting.

Shareholders are advised that there is no quorum requirement in order for valid decisions to be taken.

Holders of bearer shares must deposit their share certificates with any bank or with Kredietbank S.A. Luxembourgeoise and inform the latter of this deposit.

The Board of Directors

FLEMING JAPAN FUND S.A.
Société Anonyme
Headoffice: Luxembourg, 37, rue Notre-Dame
Trade Register: Luxembourg B8.392

Messrs. Shareholders are hereby convened to attend the Statutory General Meeting which will be held on May 10th, 1978 at 3.00 p.m. at 43, Boulevard Royal, Luxembourg, with the following agenda:

Agenda
1. Submission of the reports of the Board of Directors and of the Statutory Auditors
2. Approval of the financial statements for the year ended December 31st, 1977
3. Payment of a dividend
4. Discharge of Directors and of the Statutory Auditors in respect of the carrying out of their duties for the year ended 31st December, 1977
5. Receipt of and action on nomination for election of Directors and the Statutory Auditors for a new statutory term
6. Directors remuneration
7. Miscellaneous business as may properly come before the Meeting.

Shareholders are advised that there is no quorum requirement in order for valid decisions to be taken.

Holders of bearer shares must deposit their share certificates with any bank or with Kredietbank S.A. Luxembourgeoise and inform the latter of this deposit.

THE RIO TINTO-ZINC CORPORATION LIMITED

ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the sixteenth annual general meeting of The Rio Tinto-Zinc Corporation Limited will be held at the Commonwealth Hall, The Royal Commonwealth Society, 18-20 Craven Street, London WC2 on Wednesday, 24 May 1978 at 11.00 a.m. for the following purposes:

By Order of the board.
D. A. Streatfeild, Secretary
6 St. James's Square,
London SW1Y 4LD
25 April 1978.

NOTES

1 Only holders of the ordinary or accumulating ordinary shares or of the 'B' cumulative preference shares are entitled to attend and vote at the meeting.

ART GALLERIES

APPOINTMENTS

هكذا من الأصل

INTL. FINANCIAL AND COMPANY NEWS

JAPANESE CAPITAL MARKETS

Flood of foreign money continues

TOKYO, April 25.

FOREIGNERS bought a record amount of Japanese bonds in the year ended March 31 but continued as net sellers of stocks for the second year in a row, the Finance Ministry said.

Net foreign purchases of bonds—excluding short-term government bonds—totalled an all-time high of $5.0bn. in the fiscal year ended March 31, up sharply from the previous record set a year earlier of $1.75bn.

The flood of foreign money into Japanese securities as the yen appreciated sharply prompted the government in March to restrict sales of bonds with less than five years one month maturity remaining to foreigners. In November, the Bank of Japan had cut off foreigners from short-term government bond issues.

For March alone—as expected—net bond purchases by foreigners soared to a record cut-off date, from the previous high set in February of $1.233bn.

Net sales of stocks, on the other hand, increased to $1.123bn., the second year in a row of net selling by foreigners following sales of $233.923m. in fiscal 1976.

This brought overall net purchases of Japanese securities to a record $3.9bn. compared with $1.52bn. a year earlier.

I March, foreigners were net sellers of stocks by $50.535m. narrower than net sales in February of $100.464m.

The World Bank and the Brazilian government plan to issue yen-denominated bonds via Nomura Securities totalling 105bn. (about $460m.) on the Japanese capital market in July, Finance Ministry sources said.

The total will comprise Y75bn. ($330m.) for the World Bank $1.352bn. before the March 16 and 30bn. ($130m.) for Brazil they said.

The Y75bn. World Bank bond will be the ninth and largest ever on the Japanese capital market, topping Y50bn. bond last December, they said.

Plans for June include issues by Banque Francaise du Commerce Exterieur for Y30bn., the Industrial Development Bank of Finland for Y5bn., a Y30bn. Mexican issue and one of Y10bn. by the City of Stockholm.

The sources said that other foreign borrowers which may want to float yen bonds in Japan in August or later include Denmark, the Province of Ontario, the French electricity corporation EDF, and Sears Roebuck.

The sources added, however, that Ente Nazionale Per L'Energia Elettrica (ENEL) of Italy has postponed a Y30bn. issue originally planned for June.

* * *

Takuji Matsuzawa, newly-elected president of the Federation of Bankers Associations, called for liberalisation of Japanese capital markets to increase monetary and banking efficiency.

He argues that the Government should base the terms of its national bond issue on market forces by introducing a competitive tender system to replace the present system of allocation largely at pre-fixed prices.

Japanese banks should be allowed to introduce compound interest bank deposits for the public and issue certificates of deposit for corporations and institutional investors who have surplus funds.

Sixty-day Government bonds and CDs would thus become leading forces in liberalising the short-term capital market in Japan, he said.

Agencies

United Bank of India downturn

By P. C. Mahanti

CALCUTTA, April 25.

IN LINE with the trend of commercial banking results, the United Bank of India, a major public sector bank, has announced a fall in published profits to Rs.9m. in 1977 ($10.7m.), from Rs.10.4m. in 1976. A rise of Rs.140.64m. in income was more that offset by increased expenses.

The bank's deposits and advances have made handsome gains, the former rising from Rs.6.38bn. to Rs.7.6bn., and the latter from Rs.4.7bn. to Rs.5.1bn. This represents an increase of 1.1 per cent. in deposits, and of 9.6 per cent. in advances.

The increased expenditure is largely the result of an uncontrolled branch expansion in rural and semi-urban areas and a substantial increase, of 20.6 per cent. in advances to the priority sectors at interest rates well below the standard level. Some 60 per cent. of the branches of the bank are in the rural areas, and many of them are of doubtful viability.

According to a review of the general trends in Indian commercial banking activity issued by the chairman and managing director of the United Bank, S. Niyogi there was a slower growth of bank advances in 1977 because of the policy of credit restraint followed by the authorities. Scheduled commercial bank advances increased by only 5 per cent., compared with 33.8 per cent. the previous year. The growth rate in deposits was also lower, falling to 17.7 per cent., from one of 28.9 per cent. The total volume of deposits with commercial banks rose to Rs.207bn., from Rs.176bn. the previous year.

The outlook for this year is not encouraging, Mr. Niyogi says, because of the lowering of interest rates at the instance of the Government, while costs have been rising steadily.

Cautious view at Union Steel

By Our Own Correspondent

UNION STEEL, the quoted steel producer controlled by Iscor, foresees a continuation of the recessionary conditions in its markets.

Dr. M. D. Morals, the chairman, himself a widely-quoted economist, states that the recovery is not as imminent as economists predict. He goes on to say that the economic stalemate will continue and at this stage little remedial action can be effective.

Union Steel is barely profitable at this stage of the recession. It managed to produce only R1m. of pre-tax profit on turnover of R126m. compared with R7m. from R141m. of turnover in the previous year.

As a result, capital expenditure programmes have been reviewed and the emphasis shifted to conserving cash flows. Although the group is expected to remain marginally profitable through the current year, in no area of its operations ferrous or non-ferrous, is demand expected to be buoyant.

Fibres project comes closer

BY WONG SULONG

KUALA LUMPUR, April 25.

A MAJOR pulp and rayon project in Malaysia has been brought closer to realisation, following the approval by the Sabah State Government of the allocation of 300,000 acres to an Indian-Malaysian company for the project, which involves capital expenditure of $US270m.

The project was proposed in 1974 by Fibres and Chemicals Malaysia Berhad, to the Pahang State Government, but the company's application for 150,000 acres of land for the planting of softwood trees was rejected. A similar application was also rejected by the Johore State Government, ostensibly on the grounds that the State needed the land for its own agricultural schemes.

Fibres and Chemicals Malaysia was set up as a joint venture by the Birla Group of Indian, and Malaysian interests led by Tun Tan Siew Sin, chairman of Sime Darby Holdings, and former Malaysian Finance Minister. Confirming that approval of the land allocation had been given by the Sabah Government, Tun Tan said a Canadian company has now been commissioned to carry out a survey on the feasibility of the project. He said that Birla had made a favourable survey of the venture, but that changed circumstances required the new survey.

Tun Tan said that if the project gets under way, it would involve capital expenditure of 630m. ringgits ($U.S.270m.), and would be the biggest agro-based industrial venture in Malaysia. It would be an integrated project involving the planting of softwoods or bamboo, caustic soda plant, power and steam generation works and paper mills.

The Birla survey envisaged facilities for the manufacture of 104,000 metric tons of paper a year, including writing and printing paper, coated, stock kraft and wrapping paper, and 10,000 tons of high quality rayon. About 70,000 tons of the paper could be sold in Malaysia, with most of the balance going to other Asian countries. Half the rayon could be sold in Malaysia, while the rest could find markets in Australia and Iran. As part of the deal, the Sabah Government wants to hold 30 per cent. of the equity. Birla would probably hold between 25 and 30 per cent., while the rest would be held by Malaysian interest including Malay financial institutions.

Tun Tan said that several international banks had shown interest in the project, and had expressed willingness to finance the venture. As it is an agro-based venture in a less developed state, the project could be entitled to an attractive range of incentives, including tax exemption for ten years.

Goodyear expansion

GOODYEAR MALAYSIA, a joint venture between Goodyear of the U.S. and the Government-run National Trading Corporation (Pernas) has embarked on a $US14m. expansion programme to boost its tyre and rubber goods production, the company's chairman, Tunku Shahriman Sulaiman, said at the company's annual meeting.

The expansion programme includes adding building and machinery valued at $US9.44m., he said. This will make Goodyear the largest American manufacturing company in Malaysia. The company started production here in 1974.

Due to be completed in two years, the expansion will boost production of rubber goods to 14.8m. kilos a year from the current 9.5m. kilos annually.

Bigger share of market for Carlsberg

BY OUR OWN CORRESPONDENT

KUALA LUMPUR, April 25.

CARLSBERG BERHAD is looking forward to a period of "interesting business and development" possibilities ahead, following its success of carving for itself a solid share of the growing Malaysian and Singapore beer market, says the company's annual report.

Following the withdrawal of Guinness Berhad "Goldie" beer early this year, Carlsberg now shares with Singapore-incorporated Malayan Breweries, the entire Malaysian and Singapore beer market.

Malaysians alone last year consumed about 185m. Ringgits of beer, and this market is growing at 15 per cent. annually. Carlsberg, which set up a brewery outside Kuala Lumpur in 1971, has captured 30 per cent. of the market, and is poised to win an even bigger share, when its 8.8m. Ringgit second bottling line is operational at the end of this year.

For last year, the company's pre-tax profits were up by 26 per cent. to 6m. Ringgits ($US2.5m.), while sales were up by 25 per cent. to 46m. Ringgits ($US19m.).

The company says its sales in west Malaysia had been particularly gratifying, its exports to Singapore were satisfactory, but sales in east Malaysia were down because of additional duty and sales tax.

As a reflection of the company's confidence in its future prospects, it is paying out a final dividend of 15 per cent., making a total dividend of 25 per cent. for 1977, compared with the maiden dividend of 10 per cent. in 1976.

IBM advance in Australia

BY JAMES FORTH

SYDNEY, April 25.

IBM AUSTRALIA, offshoot of the U.S. computer group, more than doubled earnings in 1977 from $A7.7m. to $A16.5m. ($US18.6m.). The directors said that 1977 was a year in which the group recorded record levels of installation.

Profits increased at a greater rate because of a higher level of purchase of DP equipment as well as efforts by IBM to utilise its resources more efficiently. The directors said that it should be noted that purchases of DP equipment tended to fluctuate from year to year, making its difficult to compare annual results.

IBM Australia's shares are not listed on the exchanges but the company has issued debentures to the public. During the year a $A15m. stock dividend was made. The cash dividend was increased from 60 cents to 62 cents a share on the higher capital resulting in the payment to the U.S. parent jumping from $A4.5m. to $A9.3m.

Malayan Flour gain

MALAYAN Flour Mills, the biggest flour manufacturer in Malaysia, is making a one-for-three scrip issue, after reporting another good year of profits, thanks to the stable prices of wheat and the high domestic prices of flour. Pre-tax profits rose by nearly 37 per cent. to 13.2m. Ringgits ($US5.5m.), although sales fell by 8.3 per cent. to 78m. Ringgits.

Total dividend for the year is 16 per cent. against 12 per cent. in 1976.

NZ food group margins widen

BY DAI HAYWARD

WELLINGTON, April 25.

WATTIE INDUSTRIES, the New Zealand based food group whose products appear on supermarket shelves in Britain and around the world, increased its profit ra'e, despite a disappointing slow-down in sales. For every dollar of sales last year, it made 4.75 cents profit compared with 4.2 cents the previous year. Total profit was $NZ6m.—up from $NZ5.5m. on a turnover of $NZ139.6m.

The $NZ9m. increase in sales was below expectations and reflects the weakening demand in the company's worldwide market.

Last year, the company issued specified preference shares to a value of $NZ5.725m. This was backed up by an overseas loan facility of $US5m.

As part of its extensive export drive the company has scored major successes for shipping New Zealand ice cream to overseas markets. The Middle East countries have shown a good response to ice cream sales, joining the Pacific basin, Asia and the Arabian Gulf.

Tel Aviv bank raising capital

THE GENERAL Bank of Tel Aviv, founded by Baron Edmond de Rothschild, intends to raise capital for the first time on the Tel Aviv Stock Exchange, writes L. Daniel from Tel Aviv. It plans to issue shares and options to the value of I£50m.

The bank's profit in 1977 increased by 76 per cent. to I£6.5m. (about $406,000) while shareholders received an 18 per cent. cash dividend plus bonus shares at the rate of 20 per cent.

FIXED INTEREST STOCKS

A bull market in South Africa

BY RICHARD STEWART IN JOHANNESBURG

THE BULL market in South African gilts and semi-gilts is continuing unabated. Last week, Escom, the prime semi-gilt borrower, came to the market for R60m. at an all-in rate of 11.4 per cent., a full percentage point lower than the rate ruling nine months ago.

The offer attracted R90m. of underwriting from institutions and over R120m. of subscriptions. Escom is the benchmark from which other public utilities and municipalities fix their rates. The weight of demand from local institutions is forcing the rates to concertina against the long-term Government stock rate of 10.75 per cent., reducing the normal risk spread and putting pressure on the Government to reduce rates.

For an economy which is deep into its fourth year of recession, South Africa's internal interest rates structure is out of line with domestic economic needs. This is because the Government is being forced to follow a policy of high internal interest rates in order to protect the foreign exchange reserves. The crucial factor dictating this policy is the cost of trade finance.

It is seen as essential that the cost of financing international trade be kept more expensive internally so as to prevent a switching from foreign to local sources. The gap between financing trade in dollars and in Rand is now down to 1 per cent., the lowest margin that the Reserve Bank can comfortably live with.

With the rates in the U.S. firm, there is little chance of the authorities being able to relax their tight internal interest rate policy. Pressure for it to do this has been strengthened since the beginning of the month by a seasonal rise in Government spending, which is forcing short term interest rates lower.

The Government's financial year ends in March and payments are often withheld until the first quarter of the new financial year, in order to balance departmental budgets. This is a seasonal factor which the money market has come to expect, but on this occasion, because of the fine margin between external and internal rates, the Reserve Bank has its hands full mopping up liquidity through open market operations.

The relatively high short-term interest rates have the effect of putting a floor under long-term rates. The result is that institutional investors seeing long-term rates bolstered, are finding gilts and semi-gilts the most attractive form of investment available.

A symptom of the demand is heavy forward buying. This has been in evidence for the past nine months and is continuing. The general expectation is that the Escom rate must go as low as 11 per cent. within the next two months, and already Escom has shaved 0.1 per cent. off the rate at which it sells its stock into the secondary market, from the 11.4 per cent. it offered last week.

The next Government stock issue is due in mid-May, and the Government is expected to come out at 10.5 per cent., against 10.75 per cent. previously. Escom has seldom been within 0.5 per cent. of the Government rate.

Political pressures are the primary reasons for the delicate state of the foreign reserves. The Reserve Bank is now in the situation of seeing domestic trends in short term U.S. interest rates playing a dominant role in determining its own domestic policy.

Left to their own devices, there is no doubt that both short and long term rates would fall quite dramatically.

Meanwhile, with the life assurance and pension funds stocking up on fixed interest issues, often well in excess of statutory requirements, the equity market is being largely neglected.

Although the argument that the weight of funds available should ultimately force equities higher still holds, there is a marked reluctance to adopt a more aggressive buying strategy.

WALL STREET + OVERSEAS MARKETS + FOREIGN EXCHANGES

Sharply higher in record early trade

BY OUR WALL STREET CORRESPONDENT

NEW YORK, April 25.

A FURTHER sharp advance occurred on Wall Street in hectic early trading to-day, with the Dow Jones Industrial Average surging ahead 14.38 more to stand at 840.44 at 1 p.m.

The NYSE All Common Index was 71 cents higher at $54.07, while rises outscored declines by better than a three-to-one ratio.

Closing prices and market reports were not available for this edition.

Turnover, after setting a new first-hour trading record of 17.58m. shares, soared to 41.01m. at 1 p.m. against yesterday's comparable figure of 18.85m.

Analysts said the market's refusal to give any ground in the face of widespread predictions of tighter credit and higher interest rates served to encourage investors, while the continuous flow of favourable corporate earnings reports also helped to keep the rally's momentum going.

Ford Motor, after reporting a 15.7 per cent. rise in mid-month car sales, put on ½ to $50½. General Motors gained ⅞ to $66 and Chrysler the same amount to $12⅞.

IBM rose $4⅞ to $262⅞ and volume leader Eastman Kodak were ⅞ higher at $52½.

Bethlehem Steel, however, shed ¼ to $23 despite announcing a first-quarter profit compared with a prior-year loss. Gulf Oil, on reporting lower earnings, lost ⅛ to $24½.

THE AMERICAN SE Market Value Index moved ahead 0.63 more to 137.07 at 1 p.m. in an extremely active business. Volume 3.89m. shares (2.20m.).

MONDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
Carrier	403,300	19½	+⅞
Eastman Kodak	398,100	51	+3⅞
Arlen Realty	314,100	4¼	+1
Halliburton	289,700	58⅞	+2⅝
Aetna Life & Caslty.	270,300	41½	+2½
Southern Company	254,600	16⅞	—
Sears Roebuck	248,000	23	+1
Black and Decker	223,400	17½	+⅞
Sambo's Restaurants	211,300	18⅞	+1
Pepsico	197,400	28⅞	+⅞

OTHER MARKETS

HONG KONG—Shares opened strongly and advanced further through the morning and afternoon sessions in active trading. Most leading issues closed at the day's best, and the Hang Seng index rose 6.27 to 455.09, the highest level since March 31, 1976, when it closed at 455.78. Turnover on the four Hong Kong Stock Exchanges totalled $HK64.55m., up from Monday's $HK59.84m.

Jardine Matheson rose 20 cents to $HK13.30, Hong Kong Bank 30 cents to $HK15.20, Hong Kong Land 5 cents to $HK7.80, Swire Pacific 10 cents to $HK6.90, Wheelock Marden 7.5 cents to $HK2.35, and Hutchison Wampoa 5 cents to $HK 4.40.

Hong Kong Telephone put on 20 cents to $HK 29.10, Hong Kong Electric 7½ cents to $HK4.475, and Hong Kong and Kowloon Wharf 20 cents to $HK18.60.

GERMANY—Market continued to show a downward tendency, still depressed by the economic forecast for West Germany for this year by the five leading research institutes. The Commerzbank index receded 1.8 more to a fresh 1978 low of 765.8.

In Banks, Bayerische Vereinsbank shed DM3, while Engineerings had MAN Ordinary down DM4. KHD declined DM2.30 and Preussag DM3, but Motors provided a firm sector, BMW rising DM1.70, Mercedes DM2, and Volkswagen another DM0.60.

Public Authority Bonds recorded fresh losses extending to 40 pfennigs. The Regulating Authorities bought DM19m. nominal of paper against DM3.5m. purchases on Monday. Mark Foreign Loans were also easier.

TOKYO—After the market opening an hour later than usual due to a rail strike, many shares rose in early trading in the wake of the overnight advance on Wall Street. However, leading issues caught the brunt of profit-taking later and the Tokyo SE index closed a net 0.89 easier at 411.32 although the Nikkei-Dow Jones Average was still 6.92 up on the day at 5,521.70. Activity was again moderate, volume coming to 230m. shares (210m.). Trading hours will be reduced for the rest of the week while the strike persists.

Cameras strengthened in sympathy with a rise in Eastman-Kodak on Wall Street on its good quarterly report. Ricoh moved ahead Y19 to Y579 and Nippon Kogaku Y7 to Y456.

Elsewhere, Sekisui Prefab were Y30 higher at Y945, but Ito-Yokado finished Y60 down at Y1,270 and Pioneer Electronic Y40 off at Y1,890.

PARIS—Bourse prices put on another mixed performance but with gains showing a small lead over losses. Trading was fairly active.

Stores, Electricals, Foods and Oils were firmer at the end of the session, but Banks mostly weakened, while Portfolios, Chemicals and Mechanicals were irregularly traded.

Significantly higher were Pricel, Saint-Louis, Poliet, Michelin, General de Fonderie, Borel, Presses de la Cite, BHV, Normandie, Esso, Rhone-Poulenc, Saint-Gobain, and BIC.

LMT also advanced after stating that it will pay a higher dividend for 1977 on considerably improved results.

Notable decliners included Financiere Paribas, Pheníx, Poclain, Radiotechnique and Roussel-Uclaf.

CANADA—Stocks retained a firmer tendency yesterday morning in busy trading. The Toronto Composite index hardened 0.3 to 1,089.8 at noon, while Metals and Minerals added 3.5 at 919.8 and Banks 0.72 at 239.39, but Golds retreated 7.5 further to 1,206.8 and Oils and Gas receded 7.1 to 1,405.3.

SWITZERLAND — Generally weaker on increased selling pressure, with the ban on share purchases by foreign investors and a shifting of local buying interest to dollar stocks being cited as the two main reasons for the further setback.

Ciba-Geigy declined 45 to Sw.Frs.1,100 ahead of the results for 1977, due later this week.

Brown Boveri lost 35 to Sw.Frs. 1,525, Aluminium 30 to Sw.Frs. 1,090, and Credit Suisse 40 to Sw.Frs.2,100.

Domestic and Foreign Bonds were often lower.

AMSTERDAM — There was again no decided trend in share price movements, although Dutch Internationals were mostly a shade harder.

In contrast, Shippings and Transports mainly weakened further, with Van Ommeren falling Fls.4, but KLM strengthened Fls.4.3 more.

BRUSSELS.—Stocks remained firmer-inclined in lively trading.

Arbed moved up 75 to B.Frs.2,235, Fabrique Nationale 45 to B.Frs.2,530, and La Royale Belge 50 to B.Frs.6,000, but Vieille Montagne retreated 30 to B.Frs.1,670.

JOHANNESBURG—Gold shares drifted marginally easier on lower Bullion prices.

Other Metals and Minerals were mainly lower on balance after slack trading, but Platinums contrasted, closing a shade firmer on local support.

Industrials were harder for choice in quiet dealings. Abercom gained 4 cents to R1.87, while Tongaat rose 10 cents to R3.20.

MILAN—Closed for the Liberation Day holiday.

AUSTRALIA — Markets were closed yesterday for the Anzac Day holiday.

Indices

NEW YORK —DOW JONES

	Apr. 24	Apr. 21	Apr. 20	Apr. 19	Apr. 18	Apr. 17	1978 High	1978 Low	Since compilat'n High	Since compilat'n Low
Industrial	826.06	812.88	814.94	806.04	805.27	810.12	826.06 (24/4)	742.12 (28/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds*	88.16	88.20	88.29	88.42	88.55	88.55	90.06 (4/1)	88.15 (24/4)	—	—
Transport	222.38	220.59	220.49	217.72	216.16	218.50	222.38 (24/4)	199.31 (9/1)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	106.97	106.77	106.75	105.55	104.97	106.72	110.98 (3/1)	102.84 (22/2)	163.32 (20/4/69)	10.58 (28/4/42)
Trading vol. 000's †	34,510	31,848	45,250	35,080	35,860	35,500	—	—	—	—

* Basis of index changed from August 24.

Ind. div. yield %	Apr. 21	Apr. 14	Apr. 7	Year ago (approx.)
	5.75	5.86	6.06	4.60

STANDARD AND POORS

	Apr. 24	Apr. 21	Apr. 20	Apr. 19	Apr. 18	Apr. 17	1978 High	1978 Low	Since Compilat'n High	Since Compilat'n Low
‡Industrials	105.56	105.02	104.10	103.58	102.97	104.15	105.56 (24/4)	95.52 (6/3)	134.64 (11/1/73)	3.52 (30/6/32)
§Composite	95.77	94.54	94.54	93.86	93.45	94.45	95.77 (24/4)	86.90 (6/3)	125.85 (11/1/73)	4.40 (1/6/32)

	Apr. 19	Apr. 12	Apr. 5	Year ago (approx.)
Ind. div. yield %	5.14	5.55	5.39	4.25
Ind. P/E Ratio	8.94	8.56	8.48	10.41
Long Govt. Bond yield	8.30	8.54	8.52	7.62

N.Y.S.E. ALL COMMON

Apr. 24	Apr. 21	Apr. 20	Apr. 19	1978 High	1978 Low
53.36	52.88	52.78	52.35	53.36 (24/4)	48.37 (6/3)

Rises and Falls	Apr. 24	Apr. 21	Apr. 20
Issues traded	1,900	1,898	1,910
Rises	1,010	721	1,018
Falls	472	715	475
Unchanged	418	462	417
New Highs	—	89	144
New Lows	—	17	21

MONTREAL	Apr. 24	Apr. 21	Apr. 20	Apr. 19	1978 High	1978 Low
Industrial	179.80	178.47	178.62	180.54	181.47 (17/4)	162.90 (16/2)
Combined	186.90	186.52	186.62	187.19	187.95 (17/4)	170.92 (20/1)
TORONTO Composite	1089.5	1085.5	1090.0	1087.6	1091.4 (17/4)	998.2 (30/1)
JOHANNESBURG Gold	195.5	194.5	196.0	197.4	210.7 (1/2)	185.8 (20/4)
Industrials	212.5	211.8	211.8	210.9	214.4 (4/1)	194.3 (13/3)

	April 25	Pre-vious	1978 High	1978 Low
Australia (¶)	(c)	469.57	479.43 (3/1)	441.19 (1/3)
Belgium (‖)	100.95	100.54	100.93 (25/4)	90.43 (12/1)
Denmark (**)	94.58	94.86	98.15 (9/1)	94.00 (6/2)
France (††)	68.4	68.1	68.4 (25/4)	47.5 (3/2)
Germany (‡‡)	765.8	767.6	812.7 (10/2)	765.8 (25/4)
Holland (§§)	79.6	79.6	82.1 (10/2)	76.0 (4/4)
Hong Kong (¶¶)	455.09	448.82	455.09 (25/4)	383.44 (13/1)
Italy (‖‖)	(c)	60.08	63.66 (6/3)	55.45 (10/1)
Japan (a)	411.32	412.21	416.11 (19/4)	364.04 (4/1)
Singapore (b)	305.05	302.98	304.41 (20/4)	262.00 (1/3)
Spain (d)	87.88	—	98.90 (10/1)	87.88 (17/3)
Sweden (e)	379.48	382.76	383.16 (19/4)	325.74 (3/1)
Switzerl'd (f)	279.0	284.5	298.36 (14/4)	279.0 (25/4)

Indices and base dates (all base values 100 except NYSE All Common — 50 Standards and Poors — 10 and Toronto 300-1,000, the last named based on 1975). † Excluding bonds. ‡ 400 Industrials § 400 Inds., 40 Utilities, 40 Finance and 20 Transport. (¶) Sydney All Ord. (‖) Belgian SE 31/12/63. (**) Copenhagen SE 1/1/73. (††) Paris Bourse 1961. (‡‡) Commerzbank Dec., 1953. (§§) Amsterdam Industrial 1970. (¶¶) Hang Seng Bank 31/7/64. (‖‖) Milan 2/1/73. (a) Tokyo New SE 4/1/68. (b) Straits Times 1966. (c) Closed. (d) Madrid SE 30/12/77. (e) Stockholm Industrial 1/1/58. (f) Swiss Bank Corp. (u) Unavailable.

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax.
◆ DM50 denom. unless otherwise stated. ♥ Ptas.500 denom. unless otherwise stated. ♣ Kr.100 denom. unless otherwise stated. ◆ Frs.500 denom. and Bearer shares unless otherwise stated. ¶ Yen 50 denom. unless otherwise stated. § Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross. div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n Francs: including Unilac div. p Nom. q Share split. s Div. and yield exclude special payment. t Indicated div. u Unofficial trading. v Minority holders only. y Merger pending. * Asked. † Bid. § Traded. ‡ Seller. z Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa Ex all. Δ Interim since increased.

OVERSEAS SHARE INFORMATION

Inv. $ Prem. $2.00 to 111¼% (106¼%)
Effective rate (1.8150) 47¼% (44¼%)

NEW YORK

Stock	April 24	April 21
Abbott Labs	58¼	57¾
Addressograph	19⅛	19⅜
Corning Glass	49⅞	50⅛
CPC Int'n'tional	47⅛	45⅞
Crane	28⅛	28⅛
Crocker Nat.	28	27¾
Johns Manville	31¾	31¾
Johnson Johnson	70⅛	69⅞
Johnson Control	29⅞	28⅜
Joy Manufactur'g	34	35¼
K. Mart Corp.	27¾	27⅛
Revlon	43⅝	43⅛
Reynolds Metals	31⅜	30⅜
Reynolds R. J.	58¾	58⅜
Rich'son Merrell	23	22¾
Rockwell Inter.	32⅞	32⅛
Woolworth	20⅞	20⅜
Wyly	4⅛	4⅜
Xerox	48⅛	47¼
Zapata	15⅞	16
Zenith Radio	14¾	14⅛

GERMANY ◆

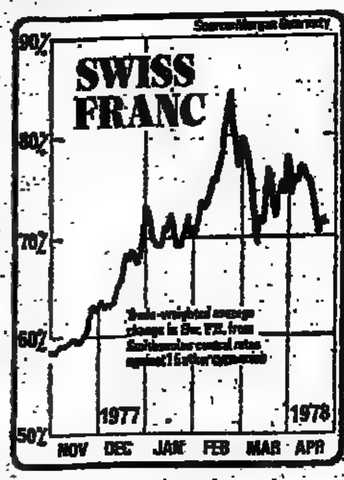
April 25	Price Dm.	+ or −	Div. %	Yld. %
AEG	85.5	+0.3	—	—
Allianz Versich.	462	−5	18	2.0
BMW	215.8	+1.7	20	4.6
BASF	135.8	−0.2	18	4.4
Bayer	136.8	−0.6	16	—
Bayer Hypo.	277	−2	18	3.2
Bayer Vereinsbk	297	−3	18	3.0

Sterling weak

Sterling lost ground against most major currencies in yesterday's foreign exchange market. In fairly active trading, the pound opened at $1.8200-1.8215 and eased to $1.8150-1.8160. At this point Bank of England intervention lifted the spot rate back to around $1.8170. However further pressure during the afternoon saw the currency slip to $1.8125-1.8135 before recovering slightly at the close to $1.8145-1.8155, a loss of 85 points on the day and the worst closing level against the U.S. dollar since late November last year. On Bank of England figures, the pound's trade weighted index fell from 61.5 to 61.2, a level not seen since July of last year. The noon rate was unchanged from the morning at 61.3.

The U.S. dollar ended the day easier on balance ahead of to-day's trade figures for March. Against the West German mark terms of the Swiss franc to DM2.0782½ from DM2.0770 previously while gaining a little in terms of the Swiss franc to Sw.fr.1.9570 from Sw.fr.1.9572½. The dollar's index on Bank of England figures fell to 90.3 from 90.5 on Monday. Its trade weighted average depreciation on a Morgan Guaranty basis, using noon rates in New York widened to 4.75 per cent. from 4.52 per cent. Elsewhere the Canadian dollar continued to improve, closing at 88.11½ U.S. cents from 87.81½ U.S. cents previously.

Gold lost $⅞ an ounce to $167½-168¼ in moderately active trading, staying within a narrow range throughout the day.



CURRENCY RATES

	Special Drawing Rights April 24	European Unit of Account April 24
Sterling	0.668147	0.674167
U.S. dollar	1.21850	1.22959
Canadian	1.38994	1.40612
Austria sch	18.2584	18.4212
Belgian franc	39.5007	39.8636
Danish krone	6.96495	7.02409
Deutschemark	2.53753	2.56054
Dutch guilder	2.71236	2.73724
French franc	5.66481	5.71529
Italian lira	1059.49	1068.82
Japanese yen	277.696	280.581
Norway krone	6.63658	6.68851
Spain peseta	99.5646	99.3854
Swedish krone	5.68126	5.72834
Swiss franc	2.40046	2.42111

EXCHANGE CROSS-RATES

April 25	Frankfurt	New York	Paris	Brussels	London	Amst'd'm	Zurich
Frankfurt	—	2.0780-0806	44.95-45.05	6.423-433	3.77-78	93.60-70	105.95-6.15
New York	48.10-15	—	21.63-68	3.0890-0940	1.8204-8214	44.97-45.02	51.10-15
Paris	222.10-40	4.620-632	—	14.398-350	8.3836-4135	208.07-57	236.72-6.22
Brussels	15.52-57	32.31-36	6.98-7.00	—	58.62-77	14.53-58	16.45-51
London	3.77-78	1.8145-55	8.38¼-39¼	58.60-70	—	4.02½-03½	3.55-56
Amst'dam	106.20-6.55	2.2197-2222	48.035-085	6.8665-8705	4.0325-0375	—	113.356-405
Zurich	94.141-258	1.9570-9585	42.35-41	6.0607-0891	3.5531-5566	88.165-992	—

U.S. $ in Toronto U.S. $ = 113.96-4.00 Canadian cents.

EURO-CURRENCY INTEREST RATES*

GOLD MARKET

	April 25	April 24
Gold Bullion (a fine ounce)		
Close	$167½-168¼	$168¼-1[illegible]
Opening	$168-168¾	$169-169
Morning fix'g	$168.00 (£92.465)	$169.00 (£92.709)
Aftern'n fix'g	$167.65 (£92.384)	$168.50 (£92.430)
Gold Coins domestically		
Krugerrand	$172¼-174¼ (£95-96)	$175-175 (£95-96)
N'w Sov'gns	$51¼-53¼ (£28⅛-29⅛)	$52¼-54 (£28¾-2[illegible])
Old Sov'gns	$52-54 (£28¾-29¾)	$52¼-54 (£28¾-2[illegible])
Gold Coins (Internat'lly)		
Krugerrand	$172¼-174¼ (£95-96)	$175-17[illegible] (£95-96)
New Sov'gns	$51¼-53¼ (£28⅛-29⅛)	$52¼-54 (£28¾-2[illegible])
Old Sov'gns	$52-54 (£28¾-29¾)	$52¼-54 (£28¾-2[illegible])
$20 Eagles	$268¾-271¾	$272-275

FOREIGN EXCHANGES

April 25	Bank Rates %	Day's Spread	Close
New York	6½	1.8125-1.8215	1.8145-1[illegible]
Montreal	8½	2.0575-2.0740	2.0585-2[illegible]
Amsterdam	4	4.01½-4.05	4.02½-4[illegible]
Brussels‡	5½	58.55-58.90	58.65-5[illegible]
Copenhagen	9	10.32½-10.38	10.34½-1[illegible]
Frankfurt	3	3.76-3.79	3.77-3[illegible]
Lisbon	13	76.00-76.70	76.25-7[illegible]
Madrid	8	146.60-147.95	146.75-1[illegible]
Milan	11½	1,574½-1,580½	1,575-1[illegible]
Oslo	7	9.84-9.88½	[illegible]
Paris	9½	8.38-8.42½	8.39½-[illegible]
Stockholm	7	8.42½-8.47½	8.43-[illegible]
Tokyo	5½	410-415	412½-[illegible]
Vienna	5½	27.10-27.25	27.12-[illegible]
Zurich	1	3.54½-3.57½	3.55-3[illegible]

‡ Rate given for convertible francs. Financial franc 58.60-58.80.

OTHER MARKETS

			Notes Rates
Argentina	1564-1568	Argentina	[illegible]
Australia	1.6007-1.6167	Austria	[illegible]
Brazil	30.15-31.15	Belgium	[illegible]
Finland	7.68-7.76	Brazil	[illegible]
Greece	67.526-69.193	Canada	[illegible]
Hong Kong	8.40-8.45	Denmark	[illegible]
Iran	125-131	France	[illegible]
Kuwait	0.500-0.510	Germany	[illegible]
Luxemb'rg	58.60-58.70	Greece	[illegible]
Malaysia	4.35½-4.37½	Italy	[illegible]
N. Zealand	1.7900-1.8084	Japan	[illegible]
Saudi Arab	6.22-6.52	Nether'nds	[illegible]
Singapore	4.25½-4.27½	Norway	[illegible]

FARMING AND RAW MATERIALS

Wrangle over wine holds up farm price talks

BY MARGARET VAN HATTEM

LUXEMBOURG, April 25.

THE BIG QUESTION hanging over EEC Agriculture Ministers engaged in the annual farm price review here to-day, is whether Italy and France can resolve their differences on wine in time to attempt settlement of the overall package this week.

The ministers to-day abandoned normal discussions and spent the day in bilateral talks trying to establish to what extent the remaining differences are real or merely bargaining positions.

Mr. Poul Dalsager, the Danish Minister sitting as President of the Council, and Mr. Finn Olav Gundelach, the Agriculture Commissioner, met individually with several of the ministers during the day. A tripartite meeting between Mr. Gundelach and the French and Italian ministers, is scheduled for later to-night.

At this stage, however, prospects of an early reconciliation on wine do not appear promising. Mr. Giovanni Marcora, the Italian Minister, indicated earlier to-day that he would take a hard line.

He is determined that any concession to France over a minimum price for wine, which would curb Italian exports to France, should be offset by gains elsewhere in the Mediterranean package and by the settling of a higher price for wine set aside for distillation.

The French already resent the latest proposal that aids to Italy's Mezzogiorno region should be 50 per cent. financed by the Community, while aid to the French Languedoc - Roussillon region should receive only 35 per cent. Community support. They will therefore press hard for a higher wine price than is acceptable to Italy.

Both countries have rejected a compromise proposal by the Danish presidency that the wine price issue should be shelved until September.

While this problem remains other issues in the prices package have taken second places. Mr. John Silkin, the U.K. Minister, has continued to-day to press the case for retention of Britain's Milk Marketing Boards, but the issue does not appear to preoccupy other delegations to the same extent.

At one stage, Mr. Silkin told journalists that he would block approval of the overall package, effectively freezing prices on all EEC farm products, until he had won acceptance of the Boards' right to continue permanently.

Other delegations seemed more interested in their own problems, though, and his threat does not appear to have provoked more than mild amusement so far.

Much of to-day's bilateral discussions appear to have focused on compromise proposals presented yesterday by the Danes. The so-called Presidential compromise, a traditional part of the prices review, is also traditionally rejecetd. It aims to clarify issues and open the way for the final bout of hard bargaining.

The Danes made no proposals on the overall level of price increases, but specific proposals in other key areas. These include:

Sugar—the "B" quota for 1978-79 should be set at 25 per cent. of the basic quota, but those countries which have already used up their "B" quota (France and Belgium) should be given a supplementary quota to be fixed later. The 1979-80 "B" quota should be fixed at 20 per cent.

Milk — The co-responsibility levy should be reduced between October 1, 1978, and March 31, 1979. Intervention buying of skimmed milk powder should be suspended during this period according to Commission proposals, but may be reintroduced should the market situation so require.

Beef—the guide price for beef should be increased by 2 per cent. instead of 1.25 per cent. as proposed by the Commission.

Potatoes—The Council should agreed to take an early decision on a potato regime but this would not be included in the prices package. Similarly, decisions on establishing a sheepmeat regime should be shelved until an undetermined date.

Bid to raise potato price abandoned

By Our Commodities Staff

THE GOVERNMENT has abandoned its attempts to force up the price of potatoes by holding stocks off the market.

The Ministry of Agriculture announced yesterday that the policy of releasing potatoes only in special cases was to be relaxed and that a "more general release on to the normal maincrop market should be allowed."

The Government has about 500,000 tonnes of potatoes at its disposal. Farmers are understood to hold a similar tonnage.

The Treasury could face a bill of about £25m. in market support payments to farmers as a result of the move.

Growers are guaranteed around £45 a tonne for their potatoes, but open market prices have been well below this for most of the past season.

The Potato Marketing Board, which has about £4.5m. in its special reserve fund, is responsible for paying a third of the support bill.

A Ministry of Agriculture statement commented that, although the move should make more potatoes available, the rate of release on to the market would still be controlled.

New bacon pig contract

By Our Commodities Staff

FMC yesterday announced the introduction of a new bacon pig contract for 1978-79, which it claims provides significant imorovements for producers.

Under the new contract, producers and curers will share equally the calculated differences between bacon prices and the average all pigs prices.

At the same time the minimum guaranteed price for A1 grade pigs has been increased to 0.4p a kilo above the average all pigs price.

The National Farmers Union welcomed the new contract as a "step in the right direction."

COTTON OUTPUT UP IN ARGENTINA

BUENOS AIRES, April 24.

Argentine raw cotton production will rise to 570,000 tonnes this year, from 522,000 tonnes in 1976-77, according to the Agriculture Department.

The current crop will be 21.3 per cent. higher than the average output of the last five years and 43.1 per cent. higher than the average for the last ten years. Reuter

BRAZILIAN AGRICULTURE

Drought only one of many blights

BY SUE BRANFORD IN SAO PAULO

BRAZIL'S SERIES of lucky breaks with its agricultural exports has come to an end this year. Unlike the severe frosts in July 1975, which turned out to be a blessing in disguise, thanks to their impact on world coffee prices, this year's drought is an unmitigated misfortune.

It has mainly affected crops such as rice, maize, beans and wheat, which are largely or exclusively cultivated for domestic consumption. It has also brought down the soyabean harvest from an expected 13m. tonnes to 9m. tonnes, or even less, if the farmers are to be believed.

These reductions will have a serious impact on the country's trade balance. With exports last year of 2.6m. tonnes of beans, 5.3m. tonnes of meal and 502,000 tonnes of oil, the "soya complex" brought in U.S.$2.1bn.

This year, as a result of the fall in crops, export quotas have been brought down to 800,000 tonnes of beans, 3.8m. tonnes of meal and 220,000 tonnes of oil. Government officials expect these exports will bring in about $1bn. —down 50 per cent. on last year.

Fortuitous

Moreover, other disappointing harvests may make it necessary for the Government to increase its wheat imports to 4.2m. tonnes, with an outlay of about $500m., and, instead of exporting maize as normal, to import perhaps 1m. tonnes, at a cost of about $130m.

Over the last couple of years the excellent export performance of three crops—coffee, soya and cocoa—has fortuitously pulled Brazil out of a difficult balance of payments position into a relatively comfortable one. Total export earnings from these three products more than doubled, from $2.5bn. in 1975 to $5.4bn. in 1977.

As export prospects for all three products are less good this year, the trick will not be repeated. The unexpected increase in agricultural imports will aggravate the situation.

No-one changes a winning team, so, not unexpectedly, it is only this year that much attention has been given to outspoken criticisms of the Government's farming policies. Government officials, surprisingly, have been in the forefront. Sr. Paulo Viana, president of the important Government body, CFP (production financing commission), claimed recently that only 40 per cent. of the crop failures this year could be attributed to the drought.

Priority

"The other 60 per cent. is the result of the excessively low minimum prices authorised last year by the National Monetary Council," he said.

Last July, this council gave priority to the fight against inflation and refused to authorise the substantial increase in the minimum prices guaranteed by the Government for basic crops that the CFP had requested. Sr. Viana is known to defend the need for fundamental changes in the type of Government support given to the farming sector.

In recent years, the Government has assisted farmers by providing plentiful, cheap loans. Rural loans supplied by the Banco do Brasil increased threefold from $6bn. to $19bn. in 1976. But agricultural output has not grown at the same speed as rural credit.

In 1965, the value of rural loans was equivalent to 10 per cent. of agricultural output. By 1976 the proportion had increased to as much as 61 per cent. In other words, credit has not proved the great boost to production that the Government expected.

It is known that many of these so-called rural loans have never actually been invested in farming activities. Sr. Karlos Rischbieter, president of the Banco do Brasil, recently denounced the misuse of these loans. "While my bank is paying market rates for the money it lends to agriculture, the farmers are only paying as little as 7 per cent. a year for these loans," he complained.

"It is thus hardly surprising that a sizeable proportion of these resources finds its way back to the money market, or, alternatively, is used to finance the purchase of future land, which is the key to obtaining more cheap credit." Sr. Rischbieter said that this vicious circle, which feeds inflation and keeps the money from ever reaching the land, must be broken.

Small measures towards controlling abuses have been taken. This year the value of rural loans was increased by only 32 per cent. to Cr.305bn. ($18bn.). This is less than the going rate of inflation and well below last year's rise of 44 per cent. Loans for soya, maize and rice were suspended for a short period this year and resumed later on tighter terms and with most repayment periods reduced from seven to five months.

Radical

Many observers, however, are calling for much more radical changes. They point out that the present system concentrates assistance at the beginning of the farming process by providing cheap loans for fertiliser, tractors and other inputs.

As well as being open to abuse, this system is at present only being used by 11 per cent. of farmers, nearly all wealthy owners of large estates. The mass of small farmers, who cannot satisfy the complicated, bureaucratic requirements, do not have access to the cheap money.

Agronomists have christened this form of agricultural modernisation "the Prussian way." It is characterised, they say, by a massive injection of funds in a small, highly-privileged strat[...] without altering the ba[...] extremely unequal system of [...] tenure.

Many agronomists believe t[...] at the very least, the system [of] government support has to [be] changed to include many m[...] of the farmers. It is pointed [out] that the small farmers pro[vide] at least 70 per cent. of the f[...] crops, such as rice and be[ans] that are consumed by to[wn] dwellers.

Given the lack of assistanc[e to] this sector, it is scarcely surp[ris]ing that production of these b[asic] foodstuffs has remained stag[nant] in recent years. Agronom[ists] have recently called attention [to] the inflationary impact of th[e] crop shortages.

One important change, that [has] been defended by several gov[ern]ment officials, including [Sr.] Viana, is the abolition of man[y of] the subsidised loans and the [con]centration of government sup[port] at the end of the farming proc[ess] with the guarantee of m[uch] higher final prices for the cr[ops]. In this way, all producers co[uld] benefit from governm[ent] assistance.

Even Sr. Alysson Paulin[elli], the Agriculture Minister, [has] recommended changes in [this] direction. He commen[ted] recently: "It is now time [to] gradually withdraw incenti[ves] and subsidies, replacing th[em] with price support mechanism[s]."

However, many observ[ers] believe that changes will oc[cur] only when General Figueire[do's] new administration comes [into] office next March. If some of [the] young, critical governm[ent] officials are appointed to m[ore] powerful positions, as see[ms] likely, they may be able to p[ush] through important, new measu[res] that are highly necessary [if] Brazilian agriculture is [to] develop harmoniously.

Cane producers seek better deal

BY CHRISTOPHER PARKES

THE AFRICAN, Caribbean and Pacific cane sugar producers, who supply 1.3m. tonnes a year to the Common Market, complained yesterday that they had been deprived of their right to negotiate prices with the EEC.

Last year, for example, they were offered only the bottom price of the range applying to beet sugar produced inside the EEC, according to Mr. Raymond Chasle, the Mauritian ambassador to the Community.

Mr. Chasle rejected charges that ACP cane growers were to blame for the Common Market's sugar surplus, which this year may reach 3.8m. tonnes. He said cane producers had not increased their acreage for 25 years, while EEC farmers planted more sugar beet each year.

He produced figures showing that, while the EEC price for raw beet sugar had risen almost 12 per cent., the price guaranteed to ACP suppliers for cane raws had gone up less than 7 per cent.

Speaking for the 14-member ACP Council of Ministers, Mr. Chasle said he had sent the EEC Commission a memorandum detailing the cane growers' difficulties.

He stressed that, although the cane producers felt that they had legitimate grounds for complaint, there was no truth in reports that they would be willing to see the sugar agreement scrapped.

"In the past the ACP ministers have been deprived of the real right to negotiate," Mr. Chasle said. "But last year it was agreed that this year they would have real room to manoeuvre."

A take-it-or-leave-it offer of a price predetermined by the EEC would be unacceptable to the cane growing countries.

"This time we insist that the negotiated price should reflect the guaranteed EEC price and make some allowance for freight costs," Mr. Chasle added. Transport of sugar to Europe cost between £11 and £9 a tonne, he claimed.

The ACP Ministers are running a round-Europe publicity campaign at present to "sensitise" public opinion, Mr. Chasle said. There was no question of them seeking a price which would give their growers more than the European beet farmers received.

A price somewhere between the highest and lowest paid in the EEC though would be fair.

Negotiations on the price to be paid for the new season's cane sugar cannot begin until the EEC has agreed its own farm price increases for 1978-79. Talks are going on now in Brussels, but they are unlikely to end with muc hmore than a 2 or 3 per cent. prise rise for European beet farmers.

In such circumstances, the cane producers' negotiators would be hard-pressed to win a bigger increase for their exports.

● In London yesterday morning the daily price for raw sugar was set £1 lower at £103 a tonne. During early trading on the London market world prices climbed on unconfirmed reports that Iran had bought Brazilian sugar.

Coffee producers lift export ban

BY JOHN EDWARDS, COMMODITIES EDITOR

COFFEE PRICES eased yesterday when it was confirmed officially that Central American producers of "other milds" had started exporting again, lifting the recent ban on sales imposed in the hope of forcing market prices higher.

London robusta futures prices were held up by the fall in sterling and arbitrage with New York, but Arabica values were harder hit.

A resumption of exports had already been discounted by the market to a large extent. However, London dealers said there appeared to be little control over selling policy and it is anticipated that in their eagerness to export, the producers may become involved in a competitive price war.

Officially, exports by the group of other mild coffee producers are now supposed to be limited to 30 per cent. of stocks held, but there appears to be no mechanism for "policing" the sales.

At the same time prices quoted are reported to differ widely, with some countries fixing a minimum selling level while others have not.

On balance prices appear to be below the levels when the group decided to stop selling and it is thought that they may well be forced even lower as exporters scramble to obtain their share of sales.

Demand for coffee is reported to be sluggish, with consumption remaining depressed. Although there has been some recovery, for example, in U.S. roastings to 105 per cent. compared with last year, it is pointed out that consumption was very low last year when demand dropped sharply.

JORDAN PLANS PHOSPHATE BOOS[T]

AMMAN, April 2[5].

JORDAN HOPES to quadru[ple] its phosphate exports about [...] tons by 1980, Phosphate Mi[nes] Company officials said.

The company also hoped to [up]grade the quality of its ph[os]phate.

Machines and furnaces nec[es]sary for the production of h[igh] quality mineral have been [in]stalled in the Hassa region al[ong] the desert road to Jordan's [Red] Sea Port of Aqaba.

Officials said that by mid-1[...] a total of 1.5m. tons will be p[ro]duced from that area. Reuter.

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER—Barely changed on balance after losing ground initially on the London Metal Exchange. [...] despite heavy selling from one quarter.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	678-.5	-11.75	684.5-5	.....
3 months	623-.5	-11.75	701.5-2	.....
Settl'm'nt	678.5	-12	—	.....
Cathodes				
Cash	666-.5	-11.75	674.4-5	-.25
3 months	685.5-6	-11.75	691.5-2	-.25
Settl'm'nt	666.5	-12	—	.....
U.S. Smt.	—		64	

In the afternoon values moved ahead strongly under the lead of Comex with forward material finally £703 on the late Kerb. Turnover 13,925 tonnes.

TIN—Firmer. Forward metal opened firmer at £6,060, reflecting the strength of the Penang price, but then weakened to £6,045 following the downturn in other metals and hedge selling thought to have been on behalf of an Australian producer. In the afternoon, however, fresh buying, chartist buying and hedge buying against U.S. physical demand took the price up to £6,125 prior to it closing at £6,115 on the late Kerb. Turnover 2,270 tonnes.

Morning: Standard, cash £6,060, three months £6,050, 70, 60, 50, 45, 50. High Grade, three months £6,065. Kerb: Standard, cash £6,075, three months £6,060, 45, 40, 45, 50. Afternoon: Standard, cash £6,095, £6,135, three months £6,070, 90, £6,100, 05, 10, 20, 10, 05. Kerb: Standard, three months £6,110, 05, 10.

I.G. Index Limited 01-351 3466. Three month Silver 276.4-278.6
29 Lamont Road, London, SW10 0HS.
1. Tax-free trading on commodity futures.
2. The commodity futures market for the smaller investor

BUILDING SOCIETY INTEREST RATES

GREENWICH
(01-858 8212)
281, Greenwich High Road,
Greenwich SE10 8NL.
*Deposit Rate 5.25, Share Accounts 5.50, Sub'pn. Shares 6.75, Term Shares 3 yrs. 1% above share rate, 3 yrs. 1% above share rate.

LONDON GOLDHAWK
(01-995 8321)
15/17, Chiswick High Road,
London W4 2NG.
Deposit Rate 5.75, Share Accounts 6.25, Sub'pn. Shares 7.30.

SILVER

COCOA

COFFEE

GRAINS

SUGAR

RUBBER

SOYABEAN MEAL

WOOL FUTURES

MEAT/VEGETABLES

Swedes—per 28 lb 0.50. Rhubarb—per pound, outdoor 0.08-0.09. Cucumbers—per tray 12/24s 1.50-2.40. Mushrooms—per pound 0.50. Apples—per pound Bramley's 0.12-0.17, Cox's Orange Pippins 0.15-0.19, Laxtons 0.08-0.12. Pears—per pound Conference 0.12-0.15. Tomatoes—per pound English 0.40-0.45. Greens—per crate, Kent 0.80-1.00. Cauliflowers—per 12s Kent 1.40-2.20, Lincoln 2.00-1.40. Onions—per 56 lb 1.00-2.00.

*

GRIMSBY FISH—Supply poor, demand good. Prices at ship's side (unprocessed) per stone: Shelf cod £4.40-£5.00, codlings £3.00-£3.80; large haddock £4.80, medium haddock £3.80-£4.50, small haddock £2.50-£3.50; large plaice £3.20-£3.40, medium plaice £3.00-£3.40, best small plaice £3.20-£3.40; medium skinned dogfish £4.00; large lemon soles £6.00, medium £5.00; saithe £2.30-£2.80.

Appeal for end to Thai kenaf export curbs

BANGKOK, April 25.

THE THAI Jute Association is to appeal to the Government to remove export controls on kenaf because of a current domestic surplus, trade sources say.

Production of kenaf in the 1977-78 season totalled 270,000 tonnes, of which 180,000 tonnes is required by the domestic market.

Planting of the 1978-79 crop has started and production in the new season is expected to be 20-30 per cent. higher than in the previous season.

Earlier this year, the Commerce Ministry fixed a kenaf export quota for the first half of the current year at 50,000 tonnes. Reuter

PRICE CHANGES

Prices per tonne unless otherwise stated.

INDICES

FINANCIAL TIMES

REUTER'S

DOW JONES

MOODY'S

JUTE

U.S. Markets

NEW YORK, April [25].

COTTON

STOCK EXCHANGE REPORT

Market sentiment unsettled by setback in sterling

Share index up 0.3 at 460.7 after 462.5—Falls to ¾ in Gilts

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Apr. 17	Apr. 27	Apr. 28	May 10
May 2	May 11	May 12	May 23
May 15	May 25	May 26	Jun. 7

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

Stock markets became unsettled as sentiment became increasingly dominated by currency worries yesterday. Monday's better trend in British Funds gave way to marked dullness following renewed weakness in sterling and some hardening of near rates in money markets. Final quotations in the sector recorded widespread falls ranging to ¾, but the reaction owed more to the absence of support than to any weight of selling. The Government Securities index closed 0.41 down at a new 1978 low of 71.47.

Leading equities put on a reasonable performance in the light of the poor background although prices tended to ease in the late trade after having held slight gains from the opening. The subsequent deterioration in sentiment was well illustrated by the FT 30-share index which recorded a rise of 1.8 at 3 p.m. and closed only 0.3 higher on balance at 460.7. Among the index constituents, British Petroleum, up 16 at 786p, after 790p, on Wall Street influences, was one of the few stocks to hold most of an earlier improvement.

Much of the day's interest in second-line equities centred on bid stocks, both rumoured and actual, while company trading statements prompted the occasional noteworthy movement. The overall trend was again to better levels but the upward movement was less decisive: rises led falls by 2-1 in FT-quoted Industrials compared with a ratio of 3-1 on Monday. The FT-Actuaries All-Share index hardened 0.3 per cent. further to 206.07.

Setback in Gilts

Continuing weakness in sterling made for a nervous and dull day's trading in the Gilt-edged market. Very little stock came on offer, but with the market almost devoid of support prices gradually drifted lower throughout the session. There were no signs of a rallying tendency in the late dealings and final quotations were the lowest of the day. Falls extended to ½ in the shorts and ¾ in the longs, with high coupon stocks at the forefront of the reaction.

Yesterday was the quietest day yet in London Traded Options which started business last Friday. The number of contracts done was 390 compared with 503 on Monday and 586 on Friday. Most of the business was transacted in the morning, but a lasting good level of interest was being shown in the quoted rates. Most actively traded options yesterday were Con. Gold and Marks and Spencer with 77 and 78 contracts respectively.

The investment currency market was fairly quiet for much of the day, but the opening strength of Wall Street led to a revival of institutional demand in the afternoon. After having touched 106 per cent. in early dealings, the premium closed at the day's best of 111¼ per cent. for a rise of 5 on the overnight level. Yesterday's conversion factor was 0.6889 (0.6932).

Hambros firm

Features were again scarce in Banks. Hambros continued to attract support and firmed 9 more to 188p, after 190p, while Schroders gained 20 to 400p in a thin market and Arbuthnot Latham hardened 3 to 160p. Corinthian at 23p, lost a penny of the previous day's rise of 3 which followed the strong profits recovery and the return to the dividend list. Standing a couple of pence better in front of the preliminary results, F.C. Finance eased on the uninspiring outcome to finish unchanged on the day at 78p. The major clearers drifted lower on lack of support with Barclays 3 cheaper at 345p and Midland a similar amount down at 355p.

Reflecting Wall Street influences, Travelers Corporation rose 1¾ points to £27¾ and Combined Insurance 1¼ points to £16¾. Elsewhere in Insurances, Royals moved forward 5 to 367p.

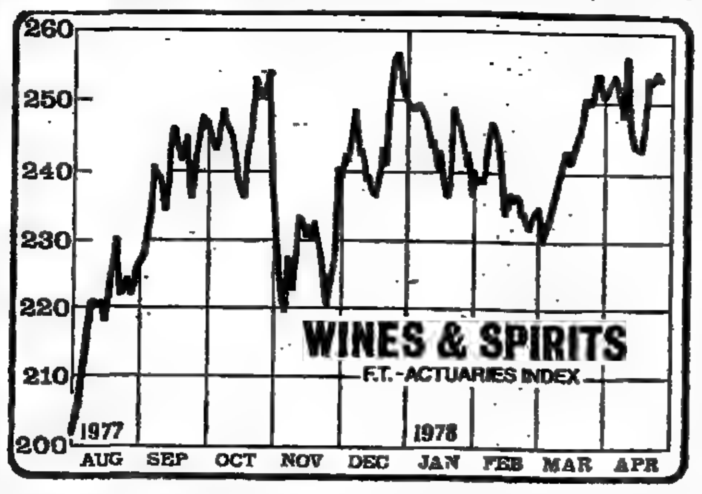
Breweries fluctuated narrowly and closed little changed. Whitbread "A" closed marginally easier at 89½p, while Allied, 85p, and A. Guinness, 179p, shed a penny apiece. Young Brewery "A" rose 5 to 170p in a thin market. Elsewhere, Matthew Clark revived with a gain of 8 to 130p on renewed speculative interest.

Building descriptions closed quietly firm throughout. The leaders attracted modest demand in light trading and AP Cement firmed 3 to 234p. Contracting and Construction issues notable for extending gains after hours included Richard Costain, 8 higher at 232p and Tilbury Contracting, 5 up at 258p. Elsewhere, Heywood Williams put on 4½ more to 97p on further consideration of the acquisition of the public restaurant and hotel business of Interstate United Corporation, the subsidiary of Hanson Trust. Other firm spots included Econa, 64p, and Manders, 104p, both 3 to the good in thin markets. In contrast, Travis and Arnold eased 2 to 139p following the rather disappointing annual results, and Tarmac cheapened a penny to 138p ahead of preliminary figures due on Thursday.

In reasonable trade, ICI touched 343p before closing unchanged at 340p. Albright and Wilson and Revertex both rose 3 to 114p and 95p respectively, while Rentokil added 2 to 34p. Fisons eased 3 to 337p in late dealings.

Leading Stores plotted an irregular course in thin trading. Marks and Spencer cheapened 2 to 146p as did Gussies "A", to 286p, while Mothercare ended 4 down at 156p; the results of the last-named are due on March 4. British Home edged forward 2 to 183p. Elsewhere, publicity given to a broker's bullish circular helped Selincourt put on 1½ to 24½p, while Ellis and Goldstein improved 3 to 22p on the increased dividend and profits. Freemans added 5 more at 317p and Lee Cooper, a thin market, appreciated 4 to 132p.

Electricals were generally a shade firmer. GEC closed 4 better at 242p reflecting the £13m. signalling contract awarded by British Rail as part of its modernisation plans for Victoria station. Renewed speculative interest lifted Electrocomponents 9 to a 1978 peak of 358p. BSR continued firmly, rising 2 to 103p for a two-day gain of 7 on the chairman's statement at the annual meeting. In contrast, Farnell Electronics attracted profit-taking and gave up 5 to 233p after the recent good rise following the preliminary figures.



Engineering leaders showed more resilience than most and closed only a penny or so below the best. GKN ended 4 to the good at 270p, after 272p, while Tubes were 2 better at 366p, after 370p. Elsewhere, Linread hardened 2 to 37p in response to the higher interim profits and Barton and Sons edged forward a penny more to 61p on further consideration of the chairman's confident annual statement. A resurgence of speculative buying on bid hopes lifted Samuel Osborn 3 to 93p. Demand was also forthcoming for Matthew Hall, which touched 207p before finishing 3 up at 201p. APV added 7 at 200p and Mining Supplies put on 3 to 69p. Simon, however, relinquished 2 to 208p following comment on the results.

Foods were quiet and little changed. Cullen's Stores hardened a penny to 97p in front of to-day's interim report, while Pork Farms firmed 2 to 457p for a two-day gain of 5 on Press comment. In Supermarkets, Lennons, a recent takeover favourite, shaded 2 to 38p.

Still reflecting Press comment, Warner Holidays A hardened 1¼ to 29½ for a two-day rise of 4¼. Prince of Wales Hotels rose 5 to a 1978 peak of 130p on small buying in anticipation of Friday's preliminary figures.

J. & L. Randall jump

Secondary issues provided the main points of interest among miscellaneous Industrials. J. and L. Randall quickly came to the fore with a jump of 45p to 114p, after 118p, in response to the agreed share and cash bid terms, currently worth around 120p per share, from Letraset. The latter, a particularly firm market of late on hopes of receiving a bid, immediately fell away to close 14 lower at 146p, after 141p, as recent speculators, disappointed by the surprise turn of events liquidated their positions. A squeeze on bear positions prompted a gain of 11 to 181p in Beatson Clark, while demand in a thin market left Piccadilly Theatre 13 higher at 148p. Silentnight added 9 to 92p in response to the higher profits and proposed 50 per cent. scrip issue and, following their respective trading announcements, Wood and Sons, 33p, Bodycote International, 68p, Fairbairn Lawson, 55p and Lindsay Williams, 41p, all closed a couple of pence firmer. Buyers came for Gestetner A, which put on 7 to 186p, and De La Rue, a further 8 to the good at 280p. Unicorn Industries gained 5 to 94p and Hanson Trust 4 to 144p. William Baird appreciated 11 more to 169p on further consideration of the sharply higher annual profits. Scottish and Universal Investments closed 3 off at 118p on the disclosure that its bankers, Charterhouse Japhet, which are defending the unwelcomed bid from Lonrho, have asked for the resignation of Mr. "Tiny" Rowland and two other Lonrho directors from the "Suits" Board; with Lonrho closing a penny off at 71p, the bid is currently worth around 130p per share.

Motors and Distributors were better for choice. Rolls-Royce were outstanding, rising to a 1978 peak of 86½p before closing 3 up at 86p. Flight Refuelling rose 4 to 112p in anticipation of to-morrow's preliminary figures, while renewed bid speculation lifted ERF 7 to 107p. Lookers rose 3 to 67p, while Frank G. Gates, 59p, Adams and Gibbon, 90p, and T. C. Harrison, 114p, all closed 2 harder.

After the previous day's jump of 24 on revived North Sea oil enthusiasm, Thomson succumbed to profit-taking and touched 230p before closing 11 down on the day at 235p. Elsewhere, Marshall Cavendish improved 2 to 51p in response to the higher annual earnings and British Printing added a similar amount to 50p following Press comment. Fresh speculative interest lifted Mills and Allen 5 further to 180p but News International finished 4 lower at 228p.

In a continuation of yesterday's quiet trade, Properties held close to overnight levels before easing in late dealings. Land Securities softened 2 to 195p, while English Property and British Land closed marginally lower to the common price of 30p. In secondary issues, Bellway dipped 4 to 65p on small selling on wavering bid hopes. In contrast, Fairview Estates closed 3 higher at 114p and A. J. Mucklow 3 better at 115p, still on reports of higher house prices.

Oils buoyant

Oils encountered useful demand although best levels were not maintained in late dealings. The overnight strength of Wall Street and the weakness of sterling encouraged buying in British Petroleum which touched 790p in early trading before closing 16 better at 786p. Shell benefited from a similar trade and firmed 5 to 543p after 548p. Ranger rose 1¼ points to £24¾, and Royal Dutch ½ to £46¾ on investment dollar premium influences. Siebens U.K., after touching 290p, eased late to close unchanged on the day at 284p and Lasmo, slightly firmer in front of the annual trading statement, eased 2 on the announcement to 166p; the "Ops" held a modest rise at 352p.

Higher earnings took Tozer Kemsley up 4 to a 1978 peak of 31p. Gill and Duffus hardened the same amount to 224p ahead of to-day's preliminary statement, while Steel Bros. improved 6 to 378p following Press comment on the results. Interest was also shown in Inchcape, 5 better at 410p, and Harrisons and Crosfield, 12 to the good at 462p. Dealings in St. Kitts (London) Sugar were suspended at 93p pending the further news of a bid approach.

Rothschild came to the fore in Investment Trusts, rising 9 to 184p on the offer for the company's associate Magnum Fund from Banque Occidentale pour L'Industrie et le Commerce (London). Channel Islands Capital were also prominent late, jumping 35 to 490p on the substantially improved net asset value accompanying the preliminary figures. Estate Duties Investment rose 5 to 275p on the preliminary figures and capital proposals, while similar gains were seen in Broadstone, 138p, and Colonial Securities Deferred, 227p. In Financials, R. Kitchen Taylor rose 5 to 55 in a restricted market.

Furness Withy, which reported results on May 17 last year, revived with a rise of 10 to 231p in a thin market.

Noteworthy movements in Textiles were confined to secondary issues. Leeds Dyers rose 8 to 52p in a thin market, while F. Miller, 46p, and Montfort, 52p, put on 3 apiece.

Castlefield continued firmly in Plantations, rising 13 to 245p for a two-day gain of 18. Chersonese hardened 1½ more to 69p, while investment demand lifted Guthrie 5 to 257p.

Golds edge up

After remaining quietly steady for most of the day despite an easier bullion price, South African Golds picked up towards the close of business following news of South Africa's acceptance of the western plan for independence for South West Africa (Namibia).

Buying in the late trade, however, was by no means substantial and the Gold Mines index registered an improvement of only 0.1 at 135.3. The bullion price was finally 75 cents off at $167.875 per ounce.

Movements in heavyweights were generally restricted ¼ either way with West Driefontein and Western Holdings that amount better at £16¾ and £16¾ respectively, but Free State Geduld a similar amount cheaper at £15.

In the lower-priced issues Kinross, 278p, and Venterspost, 147p, both hardened 4, while the marginal East Rand Props. put on 8 at 278p.

South African Financials moved similarly to Golds. De Beers were finally 12 firmer on balance at 340p, while Union Corporation recovered from 262p to close unaltered at 266p.

London-registered Financials lost ground. Rio Tinto-Zinc fell 3 to 207p in front of the annual report, published to-day, while further persistent selling lowered Selection Trust 10 more to 380p.

Australian issues were trendless reflecting the closure of overnight Sydney and Melbourne markets for the ANZAC Day holiday. Nevertheless, the firmer premium enabled Bougainville and MIM Holdings to harden a penny to 102p and 179p respectively, while Hampton Areas rose a similar amount to 124p following news that Anniss Trading had acquired 11.2 per cent. of the company's shares.

Tins drifted lower on lack of interest, while Beralt Tin and Wolfram gave up 2 to 51p following the results.

Elsewhere, the companies associated with the North group continued to move strongly. Northgate advanced 40 more to a 1978 peak of 385p; Anglo United Development put on 14 to 130p—a two-day rise of 23—and Westfield Minerals gained 10 at 83p, reflecting Anglo's uranium exploration hopes in County Donegal.

FINANCIAL TIMES STOCK INDICES

	Apr. 25	Apr. 24	Apr. 21	Apr. 20	Apr. 19	Apr. 18	A year ago
Government Secs.	71.47	71.88	71.57	71.83	72.16	71.75	68.
Fixed Interest	74.79	75.06	74.98	75.08	75.20	74.91	69.
Industrial Ordinary	460.7	460.4	455.0	454.8	461.6	465.5	42?
Gold Mines	135.3	135.2	136.6	134.7	141.1	137.9	10?
Ord. Div. Yield	5.83	5.85	5.91	5.90	5.84	5.94	5.
Earnings Y'ld%(full)(*)	17.29	17.34	17.53	17.51	17.25	17.44	15.
P/E Ratio (net)(*†)	7.76	7.75	7.67	7.66	8.00	7.92	9.
Dealings marked	4,944	4,582	4,299	4,995	4,568	4,606	5,9
Equity turnover £m.	—	84.13	60.46	68.33	68.75	75.98	59.
Equity bargains total	—	12,632	11,278	13,742	14,301	15,159	15,6

10 a.m. 462.5. 11 a.m. 462.3. Noon 462.5. 1 p.m. 462.8.
2 p.m. 462.3. 3 p.m. 462.2.
Latest Index 01-246 8026.
* Based on 52 per cent. corporation tax. † Nil=7.66.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1978 High	1978 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	78.58 (3/1)	71.47 (25/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (9/1)	74.79 (25/4)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	497.3 (6/1)	433.4 (2/3)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	168.6 (3/3)	130.3 (5/1)	442.3 (22/6/75)	43.5 (26/10/71)

S.E. ACTIVITY

	Apr. 25	Apr. 24
—Daily		
Gilt-Edged	173.6	177.
Industries	167.8	148.
Speculative	33.1	41.
Totals	112.5	99.
5-day Av'rage		
Gilt-Edged	168.9	164
Industrials	153.8	151.
Speculative	37.0	38
Total	105.6	104

NEW HIGHS AND LOWS FOR 1978

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1978.

NEW HIGHS (141)

AMERICANS (9)
BEERS (2)
BUILDINGS (2)
CHEMICALS (2)
CINEMAS (1)
DRAPERY & STORES (8)
ELECTRICALS (5)
ENGINEERING (13)
FOODS (3)
HOTELS (1)
INDUSTRIALS (34)
INSURANCE (3)
MOTORS (8)
NEWSPAPERS (1)
PAPER & PRINTING (3)
PROPERTY (4)
TEXTILES (5)
TRUSTS (34)
OILS (1)
OVERSEAS TRADERS (4)
RUBBERS (3)
TEAS (1)
MINES (1)

NEW LOWS (22)

BRITISH FUNDS (14)

Treas. 11¾pc 1979	Exchqr. 13¼pc 1996
Exchqr. 9½pc 1981	Redmptn. 3pc '86-96
Treas. 8¼pc 1982	Treas. 13¼pc 1997
Exchqr. 9½pc 1982	Funding 3½pc '99-04
Exchqr. 8¼pc 1983	Treas. 8pc 2002-06
Treas. 12pc 1983	Treas. 7¾pc '12-15
Treas. 13¼pc 1995	War Loan 3½pc

ENGINEERING (1)
British Steam
FOODS (2)
Barrow Milling   Meat Trade Sup.
INDUSTRIALS (1)
Scotcros
NEWSPAPERS (1)
News Intl.
SHIPPING (1)
Lyle Shipping
SHOES (1)
Footwear Invs.
TEXTILES (1)
Spencer (Geo.)

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	—	66	[illegible]
Corpns. Dominion and Foreign Bonds	5	15	[illegible]
Industrials	405	205	[illegible]
Financial and Prop.	204	47	[illegible]
Oils	15	2	[illegible]
Plantations	7	4	[illegible]
Mines	30	27	[illegible]
Recent Issues	3	2	[illegible]
Totals	662	365	[illegible]

OPTIONS

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Apr. 25	May 9	July 20	Aug. 1
May 10	May 22	Aug. 3	Aug. 17
May 23	Jun. 6	Aug. 17	Aug. 31

For rate indications see end of Share Information Service

Stocks favoured for the call were English Property, Burmah Oil, Queens Moat Houses, Alpine Holdings, Venterspost, Lennons, Dawnay Day, L. and J. Hy..., Change Wares, Dawson International, UDT, Montague Bu..., Godfrey Davis, Hawtin, Gilt... Orme Developments and Anl... Wiborg, while doubles were arranged in British Land, ...nons, Cons. Gold Fields, Queens Moat Houses, Dawson International, Dawnay Day, G... Metropolitan and Ladbroke W...rants. Short-dated puts were transacted in New Throgmorton Capital and Tarmac.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1978 high	1978 low
BP	£1	13	786	+16	864	720
Shell Transport	25p	12	543	+ 3	548	484
ICI	£1	11	340	—	365	328
Letraset	10p	10	146	−14	168	98
Thomson Org.	25p	10	235	−11	250	135
BATs Defd.	25p	9	265	− 3	269	227
Beecham	25p	9	633	+ 1	678	583
GUS A	25p	9	286	− 2	312	236
RTZ	25p	8	207	− 3	210	164
Distillers	50p	7	179	− 1	181	163
Grand Met.	50p	7	107	− 1½	109	87
Courtaulds	25p	6	112	+ 1	125	100
EMI	50p	6	158	—	190	141
GEC	25p	6	242	+ 4	278	233
Royal Insurance	25p	6	367	+ 5	425	346

LONDON TRADED OPTIONS

Option	Ex'rcise price	July Closing offer	July Vol.	October Closing offer	October Vol.	January Closing offer	January Vol.	Equity close
BP	750	64	1	78	7	91	2	785p
BP	800	34	5	50	5	65	[illegible]	[illegible]
Com. Union	140	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	146p
Com. Union	160	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cons. Gold	160	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	186p
Cons. Gold	180	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Courtaulds	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	111p
Courtaulds	110	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GEC	220	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	241p
GEC	240	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Grand Met.	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	107p
Grand Met.	110	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ICI	330	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	339p
ICI	360	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Land Secs.	180	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	195p
Land Secs.	200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Marks & Sp.	140	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	146p
Marks & Sp.	160	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Shell	500	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	545p
Shell	550	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p	+ or −	Div. Amount	Times Covered	Gross Yield	P/E Ratio
105	F.P.	26/4	151	118	...dge Holidays	151	[illegible]	6.75	2.8	7.5	5.9

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. † Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. ¶ Pence unless otherwise indicated. ¶ Issued by tender. || Offered to holders of ordinary shares as a "rights." ** Rights by way of capitalisation. §§ Minimum tender price. ‖ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ‖‖ Introduction. □ Issued to former Preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants.

FT—ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS — GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues., April 25, 1978 Index No.	Day's Change %	Est. Earnings Yield% (Max.) (Corp. Tax 52%)	Gross Div. Yield% (ACT at 34%)	Est. P/E Ratio (Net) (Corp. Tax 52%)	Mon. Apr. 24 Index No.	Fri. Apr. 21 Index No.	Thur. Apr. 20 Index No.	Wed. Apr. 19 Index No.
1 CAPITAL GOODS (170)	202.20	+0.8	17.82	5.85	7.91	200.65	199.14	199.45	200.42
2 Building Materials (27)	180.59	+0.8	18.10	5.93	7.93	179.08	177.53	178.64	[illegible]
3 Contracting, Construction (26)	314.10	+0.2	18.36	4.23	8.11	313.37	312.71	313.79	[illegible]
4 Electricals (15)	424.80	+1.3	14.89	3.74	9.46	419.36	416.62	416.35	[illegible]
5 Engineering Contractors (14)	294.93	[illegible]	19.60	6.80	8.00	292.60	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (71)	163.28	+0.6	19.80	6.37	6.92	162.34	160.85	161.03	[illegible]
8 Metals and Metal Forming (17)	163.03	+1.0	16.05	8.59	8.67	161.41	[illegible]	[illegible]	[illegible]
CONSUMER GOODS (DURABLE) (53)	186.54	+0.3	18.08	5.08	7.93	186.03	183.39	184.23	[illegible]
12 Lt. Electronics, Radio TV (15)	219.21	+1.2	16.00	3.90	8.98	216.58	215.26	216.55	[illegible]
13 Household Goods (13)	166.96	+0.6	16.91	6.67	8.22	165.92	164.51	166.51	[illegible]
14 Motors and Distributors (25)	118.12	+0.4	21.46	6.48	6.69	117.65	116.34	116.67	[illegible]
CONSUMER GOODS (NON-DURABLE) (176)	196.64	−0.4	16.30	5.92	8.45	197.35	194.37	194.27	[illegible]
22 Breweries (14)	222.31	−0.7	14.70	5.99	10.31	223.75	222.46	221.73	[illegible]
23 Wines and Spirits (6)	253.77	−0.4	15.01	4.55	9.28	254.87	[illegible]	[illegible]	[illegible]
24 Entertainment, Catering (17)	252.10	−0.3	13.76	5.76	10.55	252.83	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (22)	188.58	+0.3	21.72	5.72	6.39	187.93	[illegible]	[illegible]	[illegible]
26 Food Retailing (16)	191.16	+0.2	14.42	4.84	10.01	190.72	[illegible]	[illegible]	[illegible]
32 Newspapers, Publishing (13)	349.35	−2.4	11.11	3.57	13.65	[illegible]	[illegible]	[illegible]	[illegible]
33 Packaging and Paper (15)	129.88	+0.9	20.44	9.12	6.93	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (39)	182.90	−0.7	10.75	4.49	13.64	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (25)	173.34	+1.1	21.43	7.69	5.78	[illegible]	[illegible]	[illegible]	[illegible]
36 Tobaccos (3)	233.99	[illegible]	23.33	7.26	5.10	[illegible]	[illegible]	[illegible]	[illegible]
37 Toys and Games (6)	96.44	−0.2	20.95	6.21	6.38	[illegible]	[illegible]	[illegible]	[illegible]
41 OTHER GROUPS (97)	183.75	+0.4	17.49	6.10	7.54	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (19)	249.58	+0.3	20.28	6.94	6.77	[illegible]	[illegible]	[illegible]	[illegible]
43 Pharmaceutical Products (7)	229.08	+0.1	15.56	4.59	8.05	[illegible]	[illegible]	[illegible]	[illegible]
44 Office Equipment (6)	127.01	[illegible]	19.10	5.05	6.19	[illegible]	[illegible]	[illegible]	[illegible]
45 Shipping (10)	415.36	+1.0	21.57	7.30	5.57	[illegible]	[illegible]	[illegible]	[illegible]
46 Miscellaneous (55)	194.94	+0.7	17.34	6.47	7.85	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (495)	200.66	+0.2	16.97	5.83	7.91	[illegible]	[illegible]	[illegible]	[illegible]
51 Oils (5)	463.38	+1.5	16.27	4.28	6.97	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX	222.48	+0.3	16.96	5.64	7.86	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (100)	160.35	[illegible]	[illegible]	5.76	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (6)	191.08	−0.5	24.97	5.64	6.06	[illegible]	[illegible]	[illegible]	[illegible]
63 Discount Houses (10)	228.93	[illegible]	[illegible]	8.60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
64 Hire Purchase (5)	143.37	+0.2	13.65	5.58	10.85	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (10)	130.06	+0.4	[illegible]	7.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	125.37	+0.4	[illegible]	6.80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance Brokers (10)	323.91	+0.2	14.95	4.51	9.69	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (14)	75.71	+0.3	[illegible]	6.22	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (31)	214.39	−0.5	3.14	3.22	61.45	[illegible]	[illegible]	[illegible]	[illegible]
70 Miscellaneous (7)	105.48	−0.3	24.77	7.53	5.59	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (50)	201.76	+1.5	3.27	4.75	30.56	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (4)	92.14	+1.3	15.09	6.95	8.34	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (19)	295.51	+2.0	15.89	6.57	7.84	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (673)	206.07	+0.3	—	5.67	—	205.42	203.39	203.21	204.44

FIXED INTEREST PRICE INDICES

British Government	Tues. Apr. 25	Day's change %	xd adj. To-day	xd adj. 1978 to date
1 Under 5 years	106.27	−0.25	—	3.35
2 5-15 years	116.43	−0.49	—	2.97
3 Over 15 years	119.93	−0.65	—	4.06
4 Irredeemables	131.65	−0.57	4.39	5.08
5 All stocks	113.55	−0.46	0.80	3.76

FIXED INTEREST YIELDS — Br. Govt. Av. Gross Red.

			Tues. Apr. 25	Mon. Apr. 24	Year ago (approx.)
1	Low Coupons	5 years	8.43	8.35	[illegible]
2		15 years	10.79	10.70	[illegible]
3		25 years	11.30	11.21	[illegible]
4	Medium Coupons	5 years	10.59	10.45	[illegible]
5		15 years	12.07	11.96	[illegible]
6		25 years	12.32	12.21	[illegible]
7	High Coupons	5 years	10.95	10.83	[illegible]
8		15 years	12.64	12.55	[illegible]
9		25 years	12.73	12.61	[illegible]
10	Irredeemables		12.00	11.92	[illegible]

	Tuesday, April 25 Index	Yield %	Monday April 24	Friday April 21	Thurs. April 20	Wed. April 19	Tuesday April 18	Mon. April 17	Friday April 14
15 20-yr. Red. Deb & Loans (15)	58.54	12.69	58.84	58.80	58.72	58.62	58.62	59.56	59.68
16 Investment Trust Prefs. (15)	54.61	12.89	54.61	54.81	54.82	54.84	54.84	54.89	54.89
17 Coml. and Indl. Prefs. (20)	71.01	12.80	70.84	70.84	70.84	71.42	71.42	71.82	71.81

† Redemption yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A new list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 13p, by post 22p.

INSURANCE, PROPERTY, BONDS

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

BASE LENDING RATES

A.B.N. Bank	7½%	■ Hill Samuel	7½%
Allied Irish Banks Ltd.	7½%	C. Hoare & Co.	7½%
American Express Bk.	7½%	Julian S. Hodge	8½%
Amro Bank	7½%	Hongkong & Shanghai	7½%
A.P Bank Ltd.	7½%	Industrial Bk. of Scot.	8½%
Henry Ansbacher	7½%	Keyser Ullmann	7½%
Banco de Bilbao	7½%	Knowsley & Co. Ltd.	9%
Bank of Credit & Cmce.	7½%	Lloyds Bank	7½%
Bank of Cyprus	7½%	London Mercantile	7½%
Bank of N.S.W	7½%	E. Manson & Co. Ltd.	9%
Banque Belge Ltd.	7½%	Midland Bank	7½%
Banque du Rhone	8%	■ Samuel Montagu	7½%
Barclays Bank	7½%	■ Morgan Grenfell	7½%
Barnett Christie Ltd.	8½%	National Westminster	7½%
Bremar Holdings Ltd.	8½%	Norwich General Trust	7½%
Brit. Bank of Mid. East	7½%	P. S. Refson & Co.	7½%
■ Brown Shipley	7½%	Rossminster Accept'es	7½%
Canada Perm'nt Trust	7½%	Royal Bk. Canada Trust	7½%
Capitol C & C Fin. Ltd.	8½%	Schlesinger Limited	7½%
Cayzer Ltd.	8%	E. S. Schwab	9½%
Cedar Holdings	8%	Security Trust Co. Ltd.	8½%
■ Charterhouse Japhet	7½%	Shenley Trust	9½%
Choulartons	7½%	Standard Chartered	7½%
C. E. Coates	8½%	Trade Dev. Bank	7½%
Consolidated Credits	6½%	Trustee Savings Bank	7½%
Co-operative Bank	*7½%	Twentieth Century Bk.	8½%
Corinthian Securities	6½%	United Bank of Kuwait	7½%
Credit Lyonnais	7½%	Whiteaway Laidlaw	8%
The Cyprus Popular Bk.	7½%	Williams & Glyn's	7½%
Duncan Lawrie	7½%	Yorkshire Bank	7½%
Eagil Trust	7½%		
English Transcont.	8%		
First London Secs.	7½%		
First Nat. Fin. Corpn.	8½%		
First Nat. Secs. Ltd.	8%		
■ Antony Gibbs	7½%		
Greyhound Guaranty	7½%		
Grindlays Bank	‡7½%		
■ Guinness Mahon	7½%		
■ Hambros Bank	7½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 4%, 1-month deposits 4½%.
† 7-day deposits on sums of £10,000 and under 4%, up to £25,000 4½%, and over £25,000 5%.
‡ Call deposits over £1,000 4%.
§ Demand deposits 5%.
¶ Rate also applies to Sterling Ind. Secs.

NOTES

Prices do not include $ premium except where indicated ♦ and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b To-day's prices. c Yield based on offer price. d Estimated. g To-day's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♦ Net of tax on realised capital gains unless indicated by φ. § Guernsey gross. ø Suspended. ♦ Yield before Jersey tax. † Ex-subdivision.

CLIVE INVESTMENTS LIMITED
1 Royal Exchange Ave., London EC3V 3LU. Tel.: 01-283 1101.
Index Guide as at 11th April, 1978 (Base 100 at 14.1.77.)

Clive Fixed Interest Capital	132.70
Clive Fixed Interest Income	119.86

CORAL INDEX: Close 457-462

INSURANCE BASE RATES

† Property Growth	8%
† Vanbrugh Guaranteed	8%

† Address shown under Insurance and Property Bond Table.

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

**INTERNATIONAL BANK

[illegible]

**CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

[illegible]

AMERICANS—Continued

[illegible]

S.E. List Premium 44¾% (based on $US1.8150 per £)

Conversion factor 0.6889 (0.6932)

CANADIANS

[illegible]

S.E. List Premium 44¾% (based on $2.0627 per £)

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

BUILDING INDUSTRY—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

CINEMAS, THEATRES AND TV

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICAL AND RADIO

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INSURANCE

[illegible]

INDUSTRIALS—Continued

INSURANCE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

INSURANCE

PROPERTY—Continued

SHIPBUILDERS, REPAIRERS

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INV. TRUSTS—Continued

Finance, Land, etc.

FINANCE, LAND—Continued

OILS

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

CENTRAL RAND

EASTERN RAND

FAR WEST RAND

O.F.S.

FINANCE

DIAMOND AND PLATINUM

MINES—Continued

CENTRAL AFRICAN

AUSTRALIAN

TINS

COPPER

MISCELLANEOUS

10½	9	Burma Mines 17½p.	10½	......	—	—	—
300	220	Cons. Murch. 10c	245	+5	Q30c	2.6	7.3
385	245	Northgate C$1	385	+40	—	—	—
210	164	R.T.Z.	207	−3	9.5	ϕ	7.2
46½	30	Sabina Inds. C$1	33	+1	—	—	—
950	750	Tara Explm. $1	912	+42	—	—	—
45	43	Tehidy Minerals 10p	43	......	1.33	ϕ	4.8
162	120	Yukon Cons. C$1	154	−1	Q7c	ϕ	2.2

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- Δ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ¶ Price at time of suspension.
- § Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ‒ Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ▲ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ÷ Regional price.
- ǁ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend. P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	23	...
Ash Spinning	45	...
Bertam	23	...
Bdg'wtr Est. 50p	268	...
Clover Croft	22	...
Craig & Rose £1	410	...
Dyson (R. A.) A	40	...
Ellis & McHdy	65	...
Evans Frk 10p	57#	...
Sheff. Refrshmt.	50	.....
Sindall (Wm.)	85	.....

IRISH

Conv. 9% '80/82	£93⅝	−⅛
Alliance Gas	65	+2
Arnott	290	...

OPTIONS

3-month Call Rates

FINANCIAL TIMES
Wednesday April 26 1978

Anglo-U.S. talks plan rejected by Rhodesia

BY TONY HAWKINS

SALISBURY, April 25.

RHODESIA'S Executive Council said to-night it would not attend an all-party conference on Rhodesia along the lines suggested by the British and U.S. Governments.

The four-man Executive Council, consisting of Mr. Ian Smith and three black leaders said: "We do not believe that a conference along the lines suggested would have any more prospect of success than the Geneva Conference of 1976. It appears to us to be doomed to certain failure.

"The members of the Executive Council are united in their determination to proceed as rapidly as possible with the full implementation of the March 3 internal agreement.

"They are also united in their resolve not to reopen negotiation on matters which have already been decided as a result of three months of hard negotiation involving concessions by all the parties to the agreement."

It is being emphasised that to-night's statement was not a flat rejection of the Anglo-American initiative. A black Cabinet Minister said that the consensus view was to attend any conference so long as the points already agreed in the Salisbury talks were accepted as the basis for a Rhodesian independence settlement.

He denied that the Executive Council was rejecting the Anglo-American plan for talks. "All we are saying is that any new talks must be based on changes to the interim or transitional arrangements and not to the already-agreed constitutional framework."

The wording of the Executive Council statement, while guarded, comes very close indeed to outright rejection, though nowhere in the three-page statement is such rejection made explicit.

It says: "We are satisfied that we have obtained the support of the overwhelming majority of the population for the Salisbury Agreement, and we ask that the British and United States Governments should consider putting this to an early test."

The fact that the executive has issued a far tougher statement than unanimously predicted by political observers here suggests confidence in the success of the internal agreement has increased since the Owen-Vance visit last week, and that the blacks on the Executive Council — Bishop Muzorewa, the Rev. Ndabaningi Sithole and Chief Chirau—are adopting an increasingly belligerent stance despite the apparent willingness of Mr. Smith to agree to such a meeting.

Vorster accepts Namibia plan

BY QUENTIN PEEL

JOHANNESBURG, April 25.

MR. JOHN VORSTER, the South African Prime Minister, announced his acceptance to-day of the Western proposals for a constitutional settlement in Namibia (South-West Africa) and installation of a United Nations peace-keeping force there.

This came as the UN General Assembly held a special session likely to condemn the continued South African occupation.

Success for the plan depends on acceptance by the South-West Africa People's Organisation (SWAPO), recognised at the UN as the only authentic liberation movement and by the UN Security Council.

Observers in Windhoek fear that SWAPO may harden its position in response to a simultaneous announcement that nine people have been detained there under the emergency security powers introduced by Judge Marthinus Steyn, the South African Administrator-General, last week.

Since three of these are from the SWAPO executive, the movement's leadership has been effectively broken. A senior executive member was arrested two weeks ago, and four left the country at that time.

Mr. Vorster announced his reply to Parliament after to-day's weekly Cabinet meeting, following delivery of secret "clarifications" by the five Western members of the Security Council yesterday.

His decision means South Africa agrees to reduce her military force in Namibia, estimated at 15,000 to 20,000, to 1,500 within three months of a ceasefire in the guerilla war with SWAPO on the Angolan border.

South Africa has accepted that the territory be run to the "satisfaction" of a UN special representative until free elections are held for a constituent assembly.

A UN military task force will police the ceasefire and a civilian force "supervise and control" elections.

Mr. Vorster made clear his own understanding of the Western proposals: no troop withdrawal before "complete cessation of hostilities;" primary responsibility for maintaining law and order in the transition to remain with the existing police force; South Africa "will be guided by the wishes of the Constituent Assembly" on whether to withdraw her remaining troops a week after the election result; and Walvis Bay, claimed by both South Africa and SWAPO, not to be included in the proposals.

Our UN correspondent adds: Mr. Sam Nujoma, the president of SWAPO, who yesterday addressed the General Assembly's special session on Namibia, repeated his assertion that SWAPO would respond to the proposals of the five "in due course." In Washington Mr. Richard Morse Assistant Secretary of State for Africa, hailed the decision as "an extraordinarily statesmanlike and constructive step."

● South Africa's acceptance of the plan was described by Dr. David Owen, Foreign Secretary, as "an improvement and an advance." Dr. Owen, at the Socialist International in Helsinki, said he was sure that, provided there was no "catch," SWAPO would accept the plan.

Tribal Homelands, Page 16

German current account surplus up to DM3.2bn.

BY JONATHAN CARR

BONN, April 25.

WEST Germany's trade surplus dropped only slightly in the first three months of this year against the same period of 1977 and its surplus on current account increased markedly.

These results come one day after the country's leading economic institutes estimated that *real gross national product* growth this year would total only 2.5 per cent., not 3.5 per cent. as the Government has hoped.

Together, the data are likely to be used before July's Western Economic Summit Meeting here by those feeling that the West Germans should do more to reflate their economy and help boost imports.

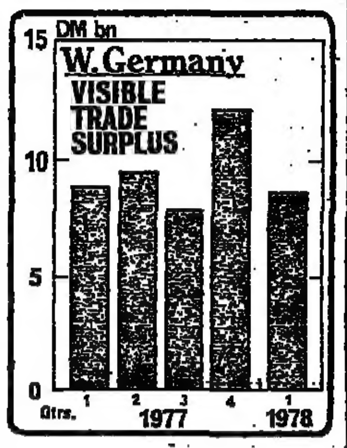
The January-March trade surplus totalled DM8.7bn. (£2.29bn.) against DM8.9bn. (£2.34bn.) in the same period last year. In March alone, the surplus was DM4.2bn. (£1.1bn.) — the same figure as 12 months before.

The current account first quarter surplus was DM3.2bn. against DM2.4bn. before, with the March figures alone DM2.8bn. against DM2.5bn.

The Germans have often been at pains to stress that the current account figures, which allow for deductions for services and transfers, are a truer guide to the country's position in relation to the outside world than the trade figures alone.

They note that over the past few years the current account surplus has repeatedly been cut and that the basic balance, comprising the current account and net long-term capital transactions, was well into deficit last year.

However, the current account surplus for 1977 showed only a slight fall on 1976 and now the first quarter figures for this year show an increase. They raise the question whether this surplus may now be stabilising at a relatively high level.



That said, forecasts on the development of West German trade and payments on the basis of the present year on year figures must be made with caution.

Since the start of 1977 the Deutschemark has risen by 10 per cent. against the weighted average of the currencies of West Germany's 22 leading trading partners.

The Bundesbank has pointed out that the upward movement may lead initially to an increase in the trade surplus in Deutschemark terms.

But that increase, it is held, conceals a gradual fall in the price competitiveness of West German exports. This will show up in the longer term, either in a loss of market share or in a cut in the profitability of West German exporting concerns.

According to this argument, the underlying conditions for a reduction in the trade surplus already exist. But they are also conditions in which there will be a reduced propensity to invest at home—the reverse of what both the Bonn and foreign governments desire from the West German economy.

More stimulus urged for Bonn economy

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE British Government remains unshaken in its belief that the West German administration should take further action to stimulate its economy, following Chancellor Helmut Schmidt's visit to London earlier this week.

It became clear yesterday that the U.K. authorities are still stressing the importance of a German contribution to a concerted international boost to demand.

Officials in London are clearly *unimpressed* by German arguments, notably about the possible impact of expansion on inflation, but are encouraged by Chancellor Schmidt's comment that he would not exclude action later in the year.

The British Government continues to regard the instability of the dollar as the prime problem, while specifically not ruling out stabilisation moves within Europe, as suggested by Chancellor Schmidt, if they contributed to this goal.

The U.K. now looks like being one of the strongest supporters of the proposals to substitute Special Drawing Rights, the International Monetary Fund's unit of account, for the dollar holdings of some member countries.

This plan has been put forward by Dr. Johannes Witteveen, the retiring managing director of the *Fund, and will be discussed this* week-end at a two-day meeting of the Fund's interim committee in Mexico City to be chaired by Mr. Denis Healey, the Chancellor.

The British Government will argue that the plan merits a further look because of the U.K.'s general belief in the wider use of Special Drawing Rights and because substitution moves would take a block of dollars out of potential circulation and help ensure that the dollar is not the single main reserve currency.

It is unlikely that the meeting will do more than to agree on further study of the proposals, about which both the U.S. and the Germans are known to have a number of important reservations.

This is likely to be the main specific item on the agenda of the interim committee, though the Finance Ministers' talks are also expected to cover proposals for stimulating world growth rates.

The meeting is seen in London as one in a series of opinion-forming occasions leading up to the seven-nation economic summit in Bonn in mid-July.

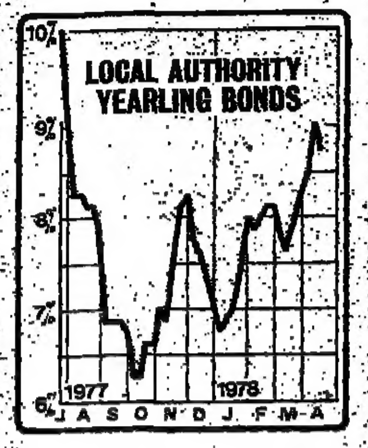
Unlike earlier talks this year, the interim committee provides an opportunity for a larger number of countries, notably the less developed ones, to express their views.

THE LEX COLUMN

Letraset springs a surprise

Index rose 0.3 to 460.7

Financial markets yesterday presented a depressing but all too familiar picture. Sterling was under persistent pressure, the money markets were nervously indicating a possible rise in Minimum Lending Rate and the gilt-edged market resumed its slide — the FT Government Securities Index reached a new low for the year. But the pattern was much the same last week and, of course, MLR did not in the event go up.



Letraset/Randall

For a Stock Market which had pushed the Letraset share price up from 98p to 160p this year in anticipation of a take-over bid from the likes of Gillette or Reckitt and Colman the news of a bid by Letraset *itself for J. and L. Randall* was precisely what was not required. The Letraset share price dived to 146p. Speculation apart, however, the deal looks a good one, aimed primarily at bolstering the asset base. For Randall has easily disposable assets, including short term deposits, equities and property, worth the best part of £11m., together with a modest toy business.

In an agreed deal, Letraset is offering some 8m. shares plus £1.2m. in cash, so it could be getting assets of well over £1 a share in sharp contrast to the existing asset backing which on April 1977 figures was under 50p a share. This has made the takeover an attractive alternative to a rights issue but for one snag: the share price has been much higher than Randall could trust, and indeed in underwriting the equity element for cash Kleinwort Benson has been able to set a value of no more than 135p.

On the face of it, therefore, there is still some speculative froth to be shaken out of the price. But Letraset has been able to confirm market expectations of pre-tax profits topping £7m., against £6.5m., and has been able to push up the dividend by 90 per cent., to give a prospective yield of 5.6 per cent.

Rothschild Inv.

Fully diluted net assets of Rothschild Investment Trust will rise by about 20p per share as a result of selling its biggest single investment to clients of Sir James Goldsmith's Banque Occidentale. The latter is bidding for all the outstanding shares in the Magnum Fund, a Canadian listed investment company. RIT owns 44 per cent. of the equity and all the debentures, and its slice of the proceeds will amount to some £17.4m.

The disposal will eliminate the double discount which arises when an investment trust holds shares in another closed end fund. Magnum has been quoted at well over a third below its net asset value recently. The logical next step would be to attack RIT's own discount—which is still a bit over 30 per cent.—by distributing the proceeds to shareholders. That would have a big impact on a company capitalised at £35m., and it could presumably be done without too much tax penalty through RIT's share premium account.

But it seems that there is no chance of RIT contemplating major surgery on itself. And the shares still seem reasonably priced at 184p, up 9p, on a discount which is rather higher than the sector average.

Rio Tinto-Zinc

At 207p Rio Tinto-Zinc's share price is close to its 1978 peak but the recent strength probably has more to do with Exxon's reported interest in the group than the immediate profit outlook. Yesterday, RTZ's chairman confirmed that Exxon's ambitions were currently confined to participating in joint ventures while the 1977 report and accounts does not make particularly impressive reading. In the short-term, the shares could be vulnerable.

RTZ's trading background has been dull. Base metal prices were under pressure last year with the average copper price dropping from £779 per tonne to £750 per tonne, while zinc producer prices were also noticeably lower. Whereas five years ago copper was contributing over 70 per cent. of RTZ's profits, last year the contribution slipped to 15.6 per cent. Despite increased production at Bougainville and Palabora copper profits fell by one-third last year and are likely to continue under pressure this year.

The lead and zinc operations of Australian Mining and Smelting also felt the draught while iron ore production at Hamersley was cut back as world steel recession deepened. With the Rossing uranium interests continuing to run into production difficulties it has been up to the aluminium and borax operations to provide the momentum.

Given the depressed state of metal prices RTZ's profits seem certain to slip in the current year, with estimates ranging down to earnings of 28p a share, a fall of 15 per cent. RTZ's real strength is that the replacement cost of an operation such as Bougainville would be of the order of £0.5bn., roughly the same as its current market capitalisation.

EDITH

Yielding a modest 4.5 per cent., Estate Duties Investment Trust is close to its 1977 high at 275p, in recognition of the fact that the small company bandwagon is at full speed. EDITH's tax revenue rose by only 4 per cent. in the year ended March but this reflected the way a significant rise in dividend income was to some extent offset by lower income on short term deposits, and also the point that much of the record £2.7m. invested during the year (a rise of 80 per cent.) was committed too late to bring any return before the year-end.

Meanwhile the opportunities to buy into unlisted companies are proliferating. The Budget concession last year dropping the percentage of equity which vendors can qualify for capital gains tax rollover relief from 50 to 25 has opened up the market for share exchange deals. And proprietors of small companies are to a much greater extent making provision for capital transfer tax while still comparatively young. Not that the companies are necessarily all that small: EDITH is now dealing with a number of companies making consistently over £1m. pre-tax, which in the old days would have gone public.

CBI warns Healey on tax cut plans

BY MICHAEL CASSELL

A WARNING that the industrial strategy will fail unless the Chancellor amends his proposed tax cuts came from the Confederation of British Industry yesterday.

In one of the opening shots of a campaign by industry leaders to include bigger income tax reductions in the Finance Bill, the CBI yesterday wrote to the Chancellor emphasising that changes in his original plans were "imperative."

Detailed examination of the Finance Bill begins in two weeks' time. Meanwhile, leading industrialists will campaign to persuade MPs to press for larger tax reductions, particularly for skilled workers and managers.

The CBI is joining forces with the British Institute of Management to press its case.

In yesterday's letter to the Chancellor, the CBI said the Budget, as it stood, represented "a tax on skill" and would not assist Britain's industrial performance.

Mr. John Greenborough, the CBI president, told the Chancellor: "If you had been seeking a way to demoralise the skilled workers and managers of British business you could not have found a better way than a Budget which delivered so little for these people."

They had, he added, been led by Ministerial statements to expect "some truly tangible recognition of their importance to industrial performance.

"Your message to this sector of the workforce seems now to be 'You don't really matter.'"

Mr. Greenborough mentioned the Chancellor's own recognition that the acquisition of skills and incentives and the acceptance of greater responsibility needed to be much more attractive than at present.

But, he added, the Chancellor's proposals would do exactly the opposite, because they gave much smaller benefits proportionately to the skilled than the unskilled.

Failure to remedy this situation would lead to the collapse of the industrial strategy.

The CBI is calling for a cut in the basic rate of tax of 2p in the pound and also wants the starting points for higher tax rates increased.

In addition, it wants to see the higher rates themselves reduced. It has calculated that the total cost of these measures would be about £900m. and that it should be met by economies in public expenditure.

It "remains incomprehensible" that the British Government alone among those of the EEC, and almost alone in the world, imposes such exceptionally high rates of income tax, the CBI says.

Mr. Greenborough told the Chancellor: "It is as if you actively wished to discourage people starting up and developing successful small firms and pursuing successful careers in business, large or small."

Letraset in £13m. agreed bid for Randall

By James Bartholomew

LETRASET, the transfer printing company, has made a £13m. agreed bid for J. & L. Randall, a toy company. The main purpose is to increase the equity base and borrowing ability before making a further bid.

Letraset is offering 3 of its shares plus 44p for every 4 shares of Randall. The share element has been underwritten in cash at 135p per share.

Yesterday, Letraset's shares closed down 14p at 146p putting a value of 120½p per share on Randall. The offer has been irrevocably accepted by shareholders owning 37 per cent. of Randall.

Mr. Jeremy Allen, finance director of Letraset, said that the takeover was seen as an attractive alternative to a rights issue.

A majority of Randall's assets is easily realisable; they include cash and short-term deposits of £2.4m. as at December 31, 1976, shares worth £3.8m. earlier this month and two properties with a book value of £1m. but now probably worth nearer £4m. These assets will be sold as the need arises for financing expansion and acquisitions.

The great advantage over a rights issue, said Mr. Allen, is that the new *money raised* is already soundly invested. This gives Letraset a "breathing space" in which to find the acquisition it has been seeking for some time.

Meanwhile the purchase of Randall will make Letraset "a bigger mouthful to gulp down" for any potential bidder. Shares of Letraset have risen lately on bid speculation, although Mr. Allen said that no approaches have been received.

Letraset's profits have risen from £1.9m. to £6.5m. in the last four years, but recently the pace has slowed. It forecast profits yesterday in excess of £7m. for 1977-78.

Randall also announced its preliminary figures yesterday, disclosing pre-tax profits of £2m. on both turnover of £2.2m. and other income of £1.3m. The toy side, with the "Merit" trade mark, will complement Letraset's small existing consumer products *division*. Letraset does not intend to expand further in this area.

Weather

U.K. TO-DAY

SHOWERS in many areas, with some suny intervals in Scotland.

London, S.E., E., Cent. S and S.W. England, E. Anglia, Midlands, Chanel Isles, S. Wales

Mostly cloudy, outbreaks of rain. Max. 10C-11C (50F-52F).

N. Wales, N.W. England, Lake District, Isle of Man, Glasgow, Argyll, N. Ireland

Mainly dry, sunny intervals. Max. 10C-11C (50F-52F).

Cent. N. and N.E. England

Cloudy, occasional showers. Max. 7C-8C (45F-46F).

Edinburgh, Dundee, Aberdeen, Highlands, N.E. and N.W. Scotland

Sunny intervals, wintry showers. Max. 5C-6C (41F-43F).

Outlook: Sunny intervals and wintry showers. Night frosts.

BUSINESS CENTRES

		Y'day mid-day °C	°F			Y'day mid-day °C	°F
Alexndria.	F	20	68	Luxemb'g	S	15	59
Amsdm.	F	9	48	Madrid	F	12	54
Athens	S	19	66	Manchstr.	F	9	48
Bahrain	C	28	82	Melbourne	C	15	59
Barcelona	F	15	59	Mexico C.	S	26	80
Beirut	F	19	66	Milan	S	16	61
Belfast	C	7	45	Montreal	S	11	52
Belgrade	R	13	55	Moscow	R	4	39
Berlin	C	8	46	Munich	F	17	63
Brmghm.	C	8	46	Newcastle	C	9	48
Bristol	R	6	43	New York	S	15	59
Brussels	S	12	54	Oslo	S	3	37
Budapest	F	17	63	Paris	S	16	61
B. Aires	R	12	54	Perth	S	30	86
Cairo	S	24	76	Prague	S	11	52
Cardiff	R	7	45	Reykjavik	C	5	41
Chicago	S	10	50	Rio de J'o	C	30	86
Cologne	S	15	59	Rome	C	16	61
Copnhagn.	C	4	39	Singapore	S	30	87
Dublin	Dr	7	45	Stockholm	F	2	36
Edinburgh	F	8	46	Strasbrg.	S	19	66
Frankfurt	S	14	57	Sydney	S	21	70
Geneva	S	14	57	Tehran	C	25	77
Glasgow	C	8	46	Tokyo	C	19	66
Helsinki	Sn	−1	30	Toronto	S	14	57
H. Kong	S	30	86	Vienna	S	17	63
Jo'burg	S	22	72	Warsaw	C	10	50
Lisbon	C	16	61	Zurich	S	16	61
London	C	8	46				

HOLIDAY RESORTS

		Y'day mid-day °C	°F			Y'day mid-day °C	°F
Ajaccio	C	15	59	Jersey	F	13	55
Algiers	F	20	68	Las Plms.	F	21	70
Biarritz	C	13	55	Locarno	S	14	57
Blackpool	C	8	46	Majorca	S	18	64
Bordeaux	F	14	57	Malaga	C	18	64
Boulogne	F	10	50	Malta	C	17	63
Cape Town	S	23	73	Naples	F	15	59
Corfu	C	14	57	Nice	C	14	57
Dubrovnik	R	11	52	Nicosia	S	19	66
Faro	S	18	64	Oporto	R	12	54
Florence	F	15	59	Rhodes	S	20	68
Funchal	C	19	66	Salzburg	F	18	64
Gibraltar	R	16	61	Tangier	R	17	63
Guernsey	C	9	48	Tenerife	F	15	59
Innsbruck	F	17	63	Tunis	C	19	66
Inverness	C	6	43	Valencia	F	20	68
Isle of Man	C	7	45	Venice	F	14	57
Istanbul	S	17	63				

S—Sunny. F—Fair. R—Rain. Dr—Drizzle. C—Cloudy. Sn—Snow.

State oil

IN YESTERDAY'S Financial Times it was wrongly stated that the British National Oil Corporation's total borrowings had exceeded the statutory limit of £600m. In fact, money raised from forward sales of oil has gone towards the repayment of *existing Government loans and* the statutory limit has not been exceeded.

Continued from Page 1

Forces' pay

Hooson said the country would accept the announcement, even though the award was above the 10 per cent. guidelines.

The report of the review body, published yesterday, made it clear that it believed that full comparability with pay in civilian life should be restored as soon as possible, but that this would be impossible to achieve immediately within the Government's pay guidelines.

In making its recommendations, the review body said:

"There are clear indications that, not least because of manpower shortages, conditions of work for some servicemen have already worsened. The fact that servicemen cannot leave the Services at short notice in normal circumstances may well mask a potentially more serious trend in the months ahead.

"This is a gloomy picture, but we see ways in which it is possible to retrieve the position.

"First, a clear and firm Government commitment to bring Services' pay fully up-to-date within the time-scale that we indicate is essential.

"Second, action should be taken now to recognise the Services' own productivity, in the form of increased workloads stemming from planned and unplanned reductions in manpower; the introduction of new technology; and the working flexibility of the Services', for example, in carrying out a variety of duties in civil emergencies in addition to th primary military tasks."

"At the very least, this requires an assurance that their pay will not fall further behind during the coming 12 months. We know that this view is shared by senior officers who provide the management of the armed forces: we believe that it will be shared by the community at large, and we urge the *Government to adopt it.*"

Mr. Fred Mulley, Secretary for Defence, defending the Government's decisions, claimed that the Servicemen would not have been better off if they were represented by a trade union.

Christian Tyler, Labour Editor, writes: Some concern was expressed last night in Whitehall that some trade unions might now look for special treatment in the light of the pay award to the armed forces.

This appeared to be confirmed by the immediate reaction of the Electrical and Plumbing Trades Union, which warned the Government that industrial civil servants would want the same "special consideration."

Mr. Peter Adams, EPTU national officer and chairman of the unions involved, said: "Many industrial civil servants are working side by side with Servicemen doing precisely the same work but receiving even less pay."

Review Body on Armed Forces Pay, Seventh Report, 1978; Command 7177, SO, 75p net.

Ruling on GKN disclosed

By Andrew Fisher

THE WEST GERMAN Supreme Court's written arguments for its rejection of GKN's bid to control Sachs, West Germany's leading clutch manufacturer, has left GKN, Britain's largest engineering concern, "neither surprised nor encouraged," it said yesterday.

"We are still reading the judgment," Mr. Barrie Heath, GKN's chairman, said in London. "We haven't found anything yet that has either surprised or encouraged us."

Frustrated in its near-four-year attempt to acquire 75 per cent. control of Sachs, the leading German clutch manufacturer —it already has 25 per cent.— GKN has appealed to the Federal German Economics Minister Count Otto Lambsdorff against the ruling, first announced in February.

"I don't think that any appeal from the Supreme Court has ever been heard by the Minister before. So we're first off," Mr. Heath said.

Effective

The Supreme Court's reasoning was contained in a 37-page judgment not yet published in Germany. Its central argument is that potential competition in the German automotive parts market, already diminished by the dominant position which the Sachs family concern has built up, would be further discouraged by a merger with GKN.

GKN's aim of expanding into the German automotive components market via Sachs, where it has already paid DM110m. (£29m.) for a 25 per cent. stake, has been successively hindered by internal lawsuits within the Sachs family and by the Cartel Office, which originally turned the merger down.

The British concern was prepared to pay another DM220m. for 50 per cent. more of Sachs, GKN's view being that this was the only effective way into the market.

Mr. Heath said he saw no reason to sell the Sachs stake, commenting that the Supreme Court's unfavourable ruling had been a great disappointment to GKN.

Details, Page 34